

FORWARD AVERAGING TAX CREDITS FOR 1994

- Use this form if you were resident in Canada throughout 1994 and you are electing, under subsection 110.4(2) of the *Income Tax Act*, to reduce your accumulated averaging amount.
- If a person who died in 1994 was resident in Canada from January 1, 1994, to the date of death, the person is deemed for the purposes of this election to have been resident in Canada throughout 1994. In the year of death, all or any of the deceased resident's accumulated averaging amount at the end of the immediately preceding year can be added to the deceased's taxable income for the year of death. Use this form to specify what amount, if any, of the accumulated averaging amount is to be taxed in the year of death. Any remaining balance of the deceased's accumulated averaging amount can be taxed under special rules using Form T541, Forward Averaging Tax Calculation - Deceased Individuals. You can get a copy of this form at any of our income tax offices.
- Please note that non-capital losses and farm losses incurred in the year will be reduced by the accumulated averaging amount withdrawal specified for the year.
- Attach one copy of this form to your income tax return and file it no later than April 30, 1995. In the case of a deceased person, file it by either April 30, 1995, or six months after the date of death, whichever date is later.

Step I – Accumulated Averaging Amount at the End of 1993

Accumulated averaging amount at the end of 1992	1.	_____
Subtract: Accumulated averaging amount withdrawal specified for 1993, if any	2.	_____
Subtotal	3.	_____
Accumulated averaging amount at the end of 1993 (multiply line 3 by 1.018)	4.	_____

Note: In the case of a person who died in 1994, if no part of the amount on line 4 is to be withdrawn from the person's accumulated averaging amount for the purpose of line 6 below, go directly to Step III and enter "0" on line 8. The legal representative can complete Form T541 to elect to carry back the balance remaining in the accumulated averaging amount at the end of the year of death.

Step II – Accumulated Averaging Amount Withdrawal for 1994

Net income (from line 236 of your return)	5.	_____
Note: If your net income is zero because of a non-capital loss and/or farm loss you incurred in the year, enter the amount of the loss in brackets.		
Add: Accumulated forward averaging amount withdrawal (all or any part of line 4)	6.	_____
Enter this amount on line 237 of your return.		
Total of lines 5 and 6	7.	_____
If this amount is positive, enter it on line 239 of your return, otherwise enter "0" on line 239 of your return.		

Step III – Federal and Provincial Forward Averaging Tax Credits for 1994

Enter the amount from line 6 (if it applies)	8.	_____
For deceased individuals only: Add amount C from line 3 of Form T541 (if it applies)	9.	_____
Total accumulated averaging amount withdrawal (add lines 8 and 9)	10.	_____
Federal forward averaging tax credit (amount from line 10) \$ _____ X 29% =	11.	_____**
Add: Provincial forward averaging tax credit (from line 14)	12.	_____
Total forward averaging tax credit: Enter this amount on line 478 of your return	13.	_____

** Increase the amount on line 11 by 52% if you were a deemed resident of Canada in 1994, and you were not subject to a provincial tax in 1994.

Note: Use the amount on line 11 in the federal individual surtax calculation on Schedule 1.

For Quebec residents only

Basic federal tax (from Schedule 1)	\$ _____	(A)	Note: – If amount C is positive, subtract 16.5% of amount B from the amount on line 440 of your return. – If amount C is negative, enter "0" on line 440 of your return, and reduce the amount on line 478 of your return by 16.5% of amount C.
Subtract: Amount from line 11 above	\$ _____	(B)	
Difference	± \$ _____	(C)	

Step IV – Provincial Forward Averaging Tax Credit

Amount from line 11 \$ _____ X

Newfoundland	(69%) =	14. _____	
Prince Edward Island	(59.5%) =	14. _____	(D)
Nova Scotia	(59.5%) =	14. _____	(E)
New Brunswick	(64%) =	14. _____	(F)
Ontario	(58%) =	14. _____	(G)
Manitoba	(52%) =	14. _____	
Saskatchewan	(50%) =	14. _____	
Alberta	(45.5%) =	14. _____	
British Columbia	(52.5%) =	14. _____	(H)
Northwest Territories	(45%) =	14. _____	
Yukon Territory	(50%) =	14. _____	(Q)

Note:

- Select your province or territory of residence on December 31, 1994.
- Enter your provincial forward averaging tax credit on line 12.
- Residents of Prince Edward Island, New Brunswick, and Yukon Territory, calculate your provincial or territorial taxes payable using the method described below. Do not use Schedule 1.
- Residents of Nova Scotia, Ontario, and British Columbia, calculate provincial taxes payable using the method described below.
- Calculate the taxes payable to the provinces and territory shown below on Form T541 if the legal representative has made an election to carry back the balance remaining in the accumulated averaging amount at the end of the year of death.

Prince Edward Island:	Basic Prince Edward Island income tax (59.5% of Basic federal tax)	\$ _____	(I)
	Add: Prince Edward Island surtax: 10% of (amount I minus D in excess of \$12,500)	\$ _____	
	Adjusted Prince Edward Island income tax	\$ _____	
	Subtract: Provincial foreign tax credit (Form T2036)	\$ _____	
	Prince Edward Island tax (enter this amount on line 428 of your return)	\$ _____	

Nova Scotia:	Basic Nova Scotia income tax (59.5% of Basic federal tax)	\$ _____	(J)
	Add: Nova Scotia surtax: 20% of (amount J minus E in excess of \$7,000)	\$ _____	
	30% of (amount J minus E in excess of \$10,500)	\$ _____ =	
	Adjusted Nova Scotia income tax	\$ _____	
	Subtract: Provincial foreign tax credit (Form T2036)	\$ _____	
	Nova Scotia income tax before the Nova Scotia reduction	\$ _____	
	Enter this amount on line D of Form T1C (N.S.) TC and complete Section II to calculate the Nova Scotia income tax.		

New Brunswick:	Basic New Brunswick income tax (64% of Basic federal tax)	\$ _____	(K)
	Add: New Brunswick surtax: 8% of (amount K minus F in excess of \$13,500)	\$ _____	
	Adjusted New Brunswick income tax	\$ _____	
	Subtract: Provincial foreign tax credit (Form T2036)	\$ _____	
	New Brunswick tax (enter this amount on line 428 of your return)	\$ _____	

Ontario:	Basic Ontario income tax (58% of Basic federal tax)	\$ _____	(L)
	Add: Ontario surtax: 20% of (amount L minus G in excess of \$5,500), plus	\$ _____	
	10% of (amount L minus G in excess of \$8,000)	\$ _____ =	
	Adjusted Ontario tax	\$ _____	
	Subtract: Provincial foreign tax credit (Form T2036)	\$ _____	
	Ontario income tax before the Ontario tax reduction	\$ _____	(M)
	Enter amount M on line E of form T1C (ONT.) TC and complete Section II to calculate the Ontario income tax.		

British Columbia:	Basic British Columbia income tax (52.5% of Basic federal tax)	\$ _____	
	Subtract: Provincial foreign tax credit (Form T2036)	\$ _____	
	Adjusted British Columbia income tax	\$ _____	(N)
	British Columbia surtax: 30% of (amount N minus H in excess of \$5,300)	\$ _____	(O)
	20% of (amount N minus H in excess of \$9,000)	\$ _____	(P)
	Enter amount N on line B, amount O on line C, and amount P on line D of Form T1C (B.C.) TC to calculate the British Columbia income tax.		

Yukon Territory:	Basic Yukon Territory income tax (50% of Basic federal tax)	\$ _____	(R)
	Add: Yukon Territory surtax: 5% of (amount R minus Q in excess of \$6,000)	\$ _____	
	Adjusted Yukon Territory income tax	\$ _____	
	Subtract: Provincial foreign tax credit (Form T2036)	\$ _____	
	Yukon Territory tax (enter this amount on line 428 of your return)	\$ _____	

Election

I elect for 1994, under subsection 110.4(2) of the *Income Tax Act*, the amount specified on line 6.

Signature _____

Date _____

Telephone number _____