

FORWARD-AVERAGING TAX CREDITS FOR 1997

Use this form if you were resident in Canada throughout 1997, and you are electing under subsection 110.4(2) of the *Income Tax Act* to include part or all of your accumulated-averaging amount in your income for 1997.

For this election, if a person who died in 1997 was resident in Canada from January 1, 1997, to the date of death, we consider that the person was resident in Canada throughout 1997. In the year of death, all or any of the deceased resident's accumulated-averaging amount at the end of the 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 this form from us.

Reduce non-capital losses and farm losses incurred in the year by the accumulated-averaging amount withdrawal specified for the year.

Attach a copy of this form to your income tax return or the deceased person's return. See the *General Income Tax Guide* or the income tax guide called *Preparing Returns for Deceased Persons* for information about the filing due date.

Step 1 – Accumulated-averaging amount at the end of 1996

Accumulated-averaging amount at the end of 1995	_____		1
Accumulated-averaging amount withdrawal specified for 1996, if any	-		2
Line 1 minus line 2	=		3
Indexation factor	X	1.016	4
Multiply line 3 by 1.016	=		5

For a person who died in 1997, if no part of the amount on line 5 is to be withdrawn from the person's accumulated-averaging amount for line 7 below, go to Step 3 and enter "0" on line 9. The legal representative can complete Form T541 to elect to carry back the balance of the accumulated-averaging amount at the end of 1997.

Step 2 – Accumulated-averaging amount withdrawal for 1997

Enter your net income from line 236 of your return. If your net income is zero because of a non-capital loss or farm loss you incurred in the year, enter the amount of the loss in brackets	_____		6
Accumulated-averaging amount withdrawal (all or any part of line 5) – Enter this amount on line 237 of your return	+		7
Add line 6 and line 7. If this amount is positive, enter it on line 239 of your return; otherwise enter "0" on line 239 of your return ..	=		8

Step 3 – Forward-averaging tax credit for 1997

Enter the amount from line 7 (if it applies)	_____		9
For deceased individuals only – Enter the amount from line 3 of Form T541 (if it applies)	+		10
Total accumulated-averaging amount withdrawal: Add line 9 and line 10	=		11
Federal tax rate	X	29%	12
Federal forward-averaging tax credit: Multiply line 11 by 29% *. Enter the result on line 32 of Schedule 1	=		13
Enter the provincial or territorial forward-averaging tax credit from line 16	+		14
Add line 13 and line 14. Enter the result on line 478 of your return	=		15

* If you were a **deemed resident of Canada**, increase this amount by 52%.

Provincial and territorial tax rates

Newfoundland	Ontario	British Columbia
69%	48%	51%
Prince Edward Island	Manitoba	Yukon Territory
59.5%	52%	50%
Nova Scotia	Saskatchewan	Northwest Territories
58.5%	50%	45%
New Brunswick	Alberta	
63%	45.5%	

Using the table above, determine the tax rate that applies to your province or territory of residence on December 31, 1997. Complete the calculation below and enter the result on line 14.

Enter the amount from line 13	_____		X	Tax rate for your province or territory of residence on December 31, 1997	_____		%	=	_____	16
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For information about calculating your provincial or territorial tax, see the back of this form. If you were a resident of Quebec, calculate your refundable Quebec abatement below.

Refundable Quebec abatement

Basic federal tax from Schedule 1	_____		A	
Enter the amount from line 13 above	-		B	If line C is positive , multiply line B by 16.5%, and reduce line 440 on your return by this amount.
Line A minus line B	=		C	If line C is negative , enter "0" on line 440 of your return. Multiply line C by 16.5%, and reduce line 478 by this amount.

Election

I elect, under subsection 110.4(2) of the *Income Tax Act*, to include the amount specified on line 7 in my income for 1997.

Sign here _____ Date _____

Step 4 – Provincial and territorial tax

Calculate your provincial or territorial tax following the instructions provided below.

Use Form T541 if you are filing a return for a deceased person and you are electing to carry back the balance remaining in the accumulated-averaging amount at the end of the year of death.

Residents of Manitoba, Saskatchewan, Alberta, and the Northwest Territories

To calculate your provincial or territorial taxes, use the Form T1C or Form T1C-TC that applies. Enter the result on line 428 of your return.

Newfoundland

Basic Newfoundland income tax: Multiply basic federal tax (line 26 of Schedule 1) by 69%		17
Line 17 minus line 16	18	
Newfoundland surtax: (line 18 minus \$7,900) x 10% =	+	19
Adjusted Newfoundland income tax: Add line 17 and line 19	=	20
Enter any provincial foreign tax credit you calculated on Form T2036	-	21
Newfoundland tax: Line 20 minus line 21. Enter the result on line 428 of your return	=	22

Prince Edward Island

Basic Prince Edward Island income tax: Multiply basic federal tax (line 26 of Schedule 1) by 59.5%		23
Line 23 minus line 16	24	
P.E.I. surtax: (line 24 minus \$5,200) x 10% =	+	25
Adjusted Prince Edward Island income tax: Add line 23 and line 25	=	26
Enter any provincial foreign tax credit you calculated on Form T2036	-	27
Prince Edward Island tax: Line 26 minus line 27. Enter the result on line 428 of your return	=	28

Nova Scotia

Basic Nova Scotia income tax: Multiply basic federal tax (line 26 of Schedule 1) by 58.5%		29
Line 29 minus line 16	30	
Nova Scotia surtax: (line 30 minus \$10,000) x 10% =	+	31
Adjusted Nova Scotia income tax: Add line 29 and line 31. Enter the result on line 5 of Form T1C (N.S.) TC	=	32
To complete the calculation of Nova Scotia tax, use Form T1C (N.S.) TC. Enter the result on line 428 of your return.		

New Brunswick

Basic New Brunswick income tax: Multiply basic federal tax (line 26 of Schedule 1) by 63%		33
Line 33 minus line 16	34	
New Brunswick surtax: (line 34 minus \$13,500) x 8% =	+	35
Adjusted New Brunswick income tax: Add line 33 and line 35	=	36
Enter any provincial foreign tax credit you calculated on Form T2036	-	37
New Brunswick tax: Line 36 minus line 37. Enter the result on line 428 of your return	=	38

Ontario

Basic Ontario tax: Multiply basic federal tax (line 26 of Schedule 1) by 48%		39
Line 39 minus line 16	40	
Ontario Fair Share Health Care Levy:		
(line 40 minus \$4,555) x 20% =	+	41
(line 40 minus \$6,180) x 26% =	+	42
Adjusted Ontario tax: Add lines 39, 41, and 42. Enter the result on line 7 of Form T1C (ONT.) TC	=	43
To complete the calculation of Ontario tax, use Form T1C (ONT.) TC. Enter the result on line 428 of your return.		

British Columbia

Basic British Columbia income tax: Multiply basic federal tax (line 26 of Schedule 1) by 51%		44
Enter any provincial foreign tax credit you calculated on Form T2036	-	45
Adjusted British Columbia income tax: Line 44 minus line 45. Enter the result on line 5 of Form T1C (B.C.) TC	=	46
Line 46 minus line 16	47	
British Columbia surtax: (line 47 minus \$5,300) x 30% =		48
(line 47 minus \$8,745) x 24.5% =	+	49
Add line 48 and line 49. Enter the result on line 8 of Form T1C (B.C.) TC	=	50
To complete the calculation of British Columbia tax, use Form T1C (B.C.) TC. Enter the result on line 428 of your return.		

Yukon Territory

Basic Yukon Territory tax: Multiply basic federal tax (line 26 of Schedule 1) by 50%		51
Line 51 minus line 16	52	
Yukon Territory surtax: (line 52 minus \$6,000) x 5% =	+	53
Adjusted Yukon Territory tax: Add line 51 and line 53	=	54
Enter any territorial foreign tax credit you calculated on Form T2036	-	55
Yukon Territory tax: Line 54 minus line 55. Enter the result on line 428 of your return	=	56