

- Use this schedule to calculate a trust's minimum tax.
- See page 4 for trusts not subject to minimum tax in the taxation year.
- For information on how to complete this schedule, see the instructions on pages 4 to 6.
- For information on how to calculate provincial minimum tax for trusts resident in Nova Scotia, New Brunswick, Ontario, Manitoba, and British Columbia, see the instructions on page 6.

Part 1 – Calculating net adjusted taxable income for minimum tax

- Complete sections C, D, and E only if the trust is claiming losses from these sources.
- If you have to complete lines 1201, 1219, or 1224, calculate the trust's capital gains conversion rate using the formula on page 4.

A. Calculating the non-taxable portion of capital gains reported in the year and retained in the trust

Do **not** include taxable capital gains from mortgage foreclosures, conditional sales reposessions, or a reserve from a disposition before November 13, 1981. If the trust is reporting reserves for dispositions before November 13, 1981, or capital gains from donated property, contact us before completing Part A.

Taxable capital gains (line 01 of the return)		1201	
Taxable capital gains allocated and designated to beneficiaries (line 921 of Schedule 9)	-	1202	
Capital gains retained in the trust (line 1201 minus line 1202; if negative, enter "0")	=	1203A	
Capital gains conversion rate (from the calculation on page 4)	x	1203B	
Non-taxable portion of capital gains retained in the trust (line 1203A multiplied by line 1203B)	=		▶ 1203

B. The elected portion of pension benefits under ITAR 40 + 1204 •

C. Rental and leasing property

Capital cost allowance (CCA) and carrying charges claimed on rental and leasing property		1205 •	
Net income from rental and leasing property before CCA and related carrying charges (if a loss, enter "0"). See the Note on page 4.	-	1206 •	
Loss, if any, created or increased by CCA and related carrying charges (line 1205 minus line 1206)	=		▶ + 1207

D. Film property

CCA and carrying charges claimed on certified film property acquired after 1987 and before March 1996		1208 •	
Net income reported from certified film property before CCA and related carrying charges (if a loss, enter "0"). See the Note on page 4.	-	1209 •	
Loss, if any, created or increased by CCA and related carrying charges (line 1208 minus line 1209)	=		▶ + 1210

E. Resource property and royalties and flow-through shares

Total of all resource deductions and allowances and depletion allowances and carrying charges related to resource property and flow-through shares		1211 •	
a) Income from production of petroleum, gas, and minerals, including royalties before resource deductions and allowances and depletion allowances and related carrying charges (if a loss, enter "0")		1212 •	
b) Income from dispositions of foreign resource properties and recovery of exploration and development expenses (if a loss, enter "0")	+	1213 •	
Total resource income (line 1212 plus line 1213)	=		▶ - 1214
Loss, if any, created or increased by resource deductions and allowances and depletion allowances and related carrying charges (line 1211 minus line 1214)	=		▶ + 1215

F. Limited partnership and tax shelter losses – Include the trust's total share of the partnership loss. + 1216 •

G. Limited and specified member partnership interest – Amount, if any, by which carrying charges related to acquiring a partnership interest are more than the trust's income from the partnership interest. + 1217 •

Total additions to taxable income for minimum tax purposes (add lines 1203, 1204, 1207, 1210, 1215, 1216, and 1217)	=	1218	
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Part 1 (continued)

Enter the amount from line 1218 on page 1

Gross-up amount of dividends retained by the trust (line 49 of the return)			1219A	
Allowable business investment losses (line 25 of the return)		1219B		
Capital gains conversion rate (from the calculation on page 4)	x	1219C		
Line 1219B multiplied by line 1219C	=		▶	1219D
Total deductions from taxable income for minimum tax purposes (line 1219A plus line 1219D)	=		▶	- 1219
Net additions to taxable income for minimum tax purposes (line 1218 minus line 1219)	=			1220
Taxable income (line 56 of the return -- if a loss, enter the amount in brackets)				+ 1221
Adjusted non-capital losses of other years used in current year (see "Line 1222" on page 5)				+ 1222 •
Subtotal (add lines 1220, 1221, and 1222)	=			1223
Net capital losses of other years used in current year (see "Line 1224" on page 5)			1224A •	
Capital gains conversion rate (from the calculation on page 4)	x		1224B	
Line 1224A multiplied by line 1224B	=		▶	- 1224
Adjusted taxable income for minimum tax (line 1223 minus line 1224)	=			1225
Basic exemption (see "Line 1226" on page 5)				- 1226 •
Net adjusted taxable income for minimum tax (line 1225 minus line 1226; if negative, enter "0")	=			1227 •

If the amount on line 1227 is more than zero, continue completing this schedule.

If the amount on line 1227 is zero, the trust is not subject to minimum tax. Attach Schedule 12 to the return. If the trust has:

- **taxable income** on line 56 of the return, resume calculations on line 1124 of Schedule 11; or
- **no taxable income** on line 56 of the return, enter "0" on line 81 of the return.

Part 2 – Calculating special foreign tax credit

(complete only if the trust retained foreign income)

Foreign non-business income for which the trust paid foreign non-business income tax			a
Foreign business income	+		b
Total foreign income (line a plus line b)	=		c
Foreign income limit for special foreign tax credit (line c	x 17% =		d
Foreign non-business income tax paid e	x 66.67% =		f
Foreign business income tax paid	+		g
Total foreign taxes paid for special foreign tax credit (line f plus line g)	=		h
Line d or line h, whichever is less			i
Deductible amount of federal foreign tax credit (line 10 of Form T2209)			j
Special foreign tax credit (line i or line j, whichever is more)			1229 ■

Part 3 – Obligation to pay minimum tax

Net adjusted taxable income for minimum tax (line 1227	x 17% =		1230
Total donations and gifts tax credit (line 1112 of Schedule 11)	-		1231
Minimum amount (line 1230 minus line 1231)	=		▶ 1232
Special foreign tax credit (line 1229)			- 1233
Net minimum tax payable (line 1232 minus line 1233)	=		1234
Federal tax payable before federal individual surtax (line 1123 of Schedule 11)			1235
48% surtax on income not subject to provincial or territorial tax (line 1116 of Schedule 11)	-		1236
Federal tax before surtax and individual surtax (line 1235 minus line 1236)	=		▶ - 1237
Amount by which minimum amount is more than regular federal tax payable (line 1234 minus line 1237; if negative, enter "0")	=		1238

If the amount on line 1238 is more than zero, complete the rest of this schedule. If the amount on line 1238 is zero, the trust is not subject to minimum tax. Attach Schedule 12 to the return. If the trust has:

- **taxable income** on line 56 of the return, resume calculations on line 1124 of Schedule 11; or
- **no taxable income** on line 56 of the return, enter "0" on line 81 of the return.

Part 4 – Basic federal tax for the year

Basic federal tax (line 1115 of Schedule 11)		1240
Minimum amount (line 1234)		1241
Basic federal tax for the year (line 1240 or line 1241, whichever is more)		1242 ■

Use line 1242 to calculate individual surtax payable in Part 5 and provincial or territorial tax payable on Schedules 13 and 14. To calculate provincial minimum tax for Nova Scotia, New Brunswick, Ontario, Manitoba, and British Columbia, see page 6.

Part 5 – Calculating federal tax payable (minimum tax)

Net minimum tax payable from line 1234		1245
Surtax on income not subject to provincial or territorial tax (portion of line 1242 not subject to provincial or territorial tax _____ x 48%) = +		1246 ■
Federal tax payable before individual surtax (line 1245 plus line 1246)	=	▶ 1247
Individual surtax		
Line 1242		1250A
Base amount	- 15,500 00	1250B
Subtotal (line 1250A minus line 1250B)	=	x 5% = 1250 ■
Additional federal foreign tax credit (line 22 of Form T2209, Part 2)	-	1251 ■
Subtotal (line 1250 minus line 1251)	=	1252
Additional investment tax credit (from Form T2038(IND))	-	1253 ■
Individual surtax payable (line 1252 minus line 1253)	=	▶ + 1254
Total federal tax payable (line 1247 plus line 1254). Enter this amount on line 81 of the return.	=	1255

Refundable Quebec abatement	(line 1242 _____ x 16.5%) =	1256
Enter the amount from line 1256 on line 87 of the return.		

Part 6 – Calculating additional taxes paid for minimum tax carryover

Minimum amount from line 1232		1260
Basic federal tax (line 1115 of Schedule 11)		1261
Special foreign tax credit (line 1229)		1262
Deductible amount of federal foreign tax credit from line j in Part 2	-	1263
Subtotal (line 1262 minus line 1263)	=	1264
Line e in Part 2		A
Line g in Part 2	+	B
Total (line A plus line B)	=	C
line 1264 _____ x $\frac{\text{line h in Part 2}}{\text{line C in this part}}$ _____ = +		1265
Total (line 1261 plus line 1265)	=	▶ - 1266
Additional taxes available to carry over to subsequent years (line 1260 minus line 1266)	=	1267
Unused minimum tax carryover from earlier years		
Line 1269 of previous year's Schedule 12, or line I of the "Minimum tax carryover" chart in the T3 guide		1268A
Unclaimed carryover amounts from years before 1994	-	1268B
Subtotal (line 1268A minus line 1268B)	=	▶ + 1268 ●
Total minimum tax carryover available for subsequent years (line 1267 plus line 1268)	=	1269 ●

Is the trust subject to minimum tax?

The following trusts are not subject to minimum tax:

- a mutual fund trust;
- a related segregated fund trust;
- a spousal trust, and, under proposed legislation, a joint partner or an alter ego trust, if it reports in the year, its first deemed realization under the 21-year rule; and
- a master trust.

Any other trust is liable to pay a minimum tax if the net minimum tax payable on line 1234 is more than the regular tax payable on line 1237. A trust may have to pay minimum tax for the year if it:

- reports taxable dividends (line 03 of the return)
- reports taxable capital gains (line 01 of the return)
- claims a loss resulting from, or increased by, resource expenditures, or claims resource and depletion allowances on resource properties (line 06 or line 19 of the return)
- makes an election on pension benefits under ITAR 40 (line 02 of the return and line 1109 of Schedule 11)
- claims a loss resulting from, or increased by, capital cost allowance on:
 - rental or leasing property (line 09 of the return); or
 - certified films or videotapes (line 06 of the return)

Capital gains conversion rate

For lines 1203B, 1219C, and 1224B, you will have to calculate the capital gains conversion rate for the trust. You use this rate to calculate the non-taxable portion of income or losses reported by the trust. To calculate this rate, you use the inclusion rate you calculated on Schedule 1, *Dispositions of Capital Property*.

Capital gains conversion rate

If the trust's inclusion rate is 3/4, the conversion rate is 1/15

If the trust's inclusion rate is 2/3, the conversion rate is 1/5

If the trust's inclusion rate is 1/2, the conversion rate is 3/5

If the trust's inclusion rate is other than 3/4, 2/3, or 1/2, calculate the conversion rate as follows:

$(4/5 \text{ minus the inclusion rate for the trust}) \text{ divided by the inclusion rate for the trust} = \underline{\hspace{2cm}}$

Example

The trust's inclusion rate is 3/5. You calculate the trust's conversion rate as follows:

$$\frac{4/5 \text{ minus } 3/5}{3/5} = \frac{1/5}{3/5} = 1/5 \times 5/3 = 1/3$$

You would enter 1/3 on the applicable line(s) of Schedule 12.

Part 1 – Calculating adjusted taxable income

Use Part 1 to calculate the net adjusted taxable income for minimum tax.

Net adjusted taxable income for minimum tax purposes applies to:

- certain losses that limited partners, specified members of a partnership, or partners of a tax shelter deduct for their partnership interest (for this purpose, losses allocated from a partnership are applied against gains from the same partnership source);
- losses from tax shelters; and
- carrying charges for interests in limited partnerships, tax shelters, rental and leasing, film and resource properties, which increase or create a loss from these sources.

Note

Net income from rental and leasing property, and film property includes income from these investments (before CCA and related carrying charges) **plus** any net taxable capital gains from the disposition of these investments **minus** any losses from these investments (before CCA and related carrying charges). You also have to subtract allocated partnership losses from gains from the same partnership source.

Line 1222 – Adjusted non-capital losses of other years used in the current year

If the trust claimed non-capital losses of other years, you may have to reduce the non-capital losses for minimum tax purposes.

This reduction is any portion of the non-capital losses attributable to:

- capital cost allowance you claimed on:
 - rental or leasing property; or
 - films certified by the Canadian Film and Videotape Certification office;
- resource expenditures; or
- resource and depletion allowances.

Enter the reduction on line 1222.

For taxation years beginning after 1994, for minimum tax purposes, a non-capital loss which is carried forward is calculated according to the minimum tax rules in effect for the year in which the loss was incurred.

Line 1224 – Net capital losses of other years used in the current year

For minimum tax purposes, adjust income to reflect the non-deductible portion of capital losses from capital property dispositions from any other year that you used in the current year. On line 1224A, enter the net capital losses of other taxation years that you claimed in the current year on line 52 of the return. Do not include capital losses on mortgage foreclosures and conditional sales repossessions.

If the amount on line 52 of the return is less than the capital gains remaining in the trust after allocation to beneficiaries, **and** the trust has additional unapplied losses of other years, you may be able to increase the amount on line 1224A. Call us for details.

Line 1226 – Basic exemption

We allow a basic exemption of \$40,000 to testamentary and grandfathered inter vivos trusts. Allocate the \$40,000 basic exemption among the trusts if more than one qualifying trust is formed from contributions by the same individual. To allocate the basic exemption, complete Schedule 6, *Trusts' Agreement to Allocate the Basic Exemption From Minimum Tax*. On line 1226, enter the basic exemption, or the trust's allocated amount of the exemption from Schedule 6.

Part 5 – Calculating federal tax payable (minimum tax)**Lines 1250A to 1254 – Individual surtax payable**

Trusts are subject to an individual surtax, calculated on the following amounts:

- for a trust other than a mutual fund trust:
 - the basic federal tax on line 1115 of Schedule 11 or, if subject to minimum tax, on line 1242 of Schedule 12;
- for a mutual fund trust:
 - the basic federal tax on line 1115 of Schedule 11, minus the least of the amounts (a), (b), and (c) in Section 1 of Form T184, *2000 Capital Gains Refund for a Mutual Fund Trust*.

If the basic federal tax amount is more than \$15,500, the trust has to pay an additional 5% surtax on the amount over \$15,500. If the trust can claim a federal foreign tax credit or an investment tax credit, it may be able to reduce its individual surtax by the unused portion of these credits.

Line 1256 – Refundable Quebec abatement

For information, see Line 1130 in the T3 guide.

Part 6 – Calculating additional taxes paid for minimum tax carryover**Lines 1260 to 1269**

Use Part 6 to calculate the amount of any additional minimum tax payable by a trust that you can carry over to a future year. You may be able to deduct this amount from the trust's regular tax liability on line 1113 of Schedule 11 in subsequent years. You can claim a carryforward for a period of seven years.

Provincial minimum tax (PMT) payable

If the trust is subject to federal minimum tax, you may have to calculate a separate PMT. You do **not** have to calculate PMT for:

- Newfoundland
- Prince Edward Island
- Saskatchewan
- Alberta
- Yukon
- Northwest Territories
- Nunavut

For Nova Scotia, New Brunswick, Ontario, Manitoba, and British Columbia, use Chart 1 to calculate the trust's PMT.

Chart 1 – Calculation of Provincial Minimum Tax

1 For Nova Scotia , use the following calculation:			
Line 1267	_____		1
Nova Scotia rate	$\times 57.5\%$		2
Nova Scotia additional minimum tax (line 1 multiplied by line 2)			
Enter amount A on line 19 of Form T3NS.	=	=====	A
2 For New Brunswick , use the following calculation:			
Line 1232	_____		1
New Brunswick rate	$\times 58.5\%$		2
New Brunswick minimum tax (line 1 multiplied by line 2)			
Enter amount B on line 19 of Form T3NB.	=	=====	B
3 For Ontario , use the following calculation:			
Line 1232	_____		1
Line 1237	-		2
Line 1 minus line 2	=		3
Ontario rate	$\times 37.5\%$		4
Ontario additional minimum tax (line 3 multiplied by line 4)			
Enter amount C on line 19 of Form T3ON.	=	=====	C
4 For Manitoba , use the following calculation:			
Line 1260	_____		1
Line 1261	-		2
Line 1 minus line 2	=		3
Manitoba rate	$\times 50\%$		4
Manitoba additional minimum tax (line 3 multiplied by line 4)			
Enter amount D on line 23 of Form T3MB.	=	=====	D
5 For British Columbia , use the following calculation:			
Line 1260	_____		1
Line 1261	-		2
Line 1 minus line 2	=		3
British Columbia rate	$\times 49.5\%$		4
British Columbia additional minimum tax (line 3 multiplied by line 4)			
Enter amount E on the appropriate line of Form T3BC.	=	=====	E