

- Include a completed copy of this schedule with the trust's return.
- Use this schedule to calculate a trust's minimum tax and minimum tax carryover.
- See page 4 for trusts not subject to minimum tax in the tax year.
- For information on how to complete this schedule, see the instructions on pages 4 and 5.
- To calculate provincial or territorial minimum tax, see pages 5 and 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 those sources.

A. Calculating the non-taxable part of capital gains reported in the year and kept in the trust

Do **not** include taxable capital gains from mortgage foreclosures or conditional sales repossessions. If the trust is reporting deemed dispositions of capital property on Form T1055, *Summary of Deemed Dispositions (2002 and later tax years)*, or capital gains from donated property, you will need to make an adjustment for line 3. Use Chart 1 on page 4.

Taxable capital gains (line 21 of Schedule 1)			1
Taxable capital gains allocated and designated to beneficiaries (line 921 of Schedule 9)	-		2
Capital gains kept in the trust (line 1 minus line 2)	=		2A
Capital gains conversion rate	x	3/5	2B
Non-taxable part of capital gains kept in the trust (line 2A multiplied by line 2B)			3

B. The elected part of pension benefits under ITAR 40 12040 • + 4

C. Rental and leasing property

Capital cost allowance (CCA) and carrying charges claimed on rental and leasing property	12050 •		5
Net income from rental and leasing property before CCA and related carrying charges (if a loss, enter "0"). See the Note on page 4.	12060 •	-	6
Loss, if any, created or increased by CCA and related carrying charges (line 5 minus line 6)		=	7

D. Film property

CCA and carrying charges claimed on certified film property acquired after 1987 and before March 1996	12080 •		8
Net income reported from certified film property before CCA and related carrying charges (if a loss, enter "0"). See the Note on page 4.	12090 •	-	9
Loss, if any, created or increased by CCA and related carrying charges (line 8 minus line 9)		=	10

E. Resource property, royalties, and flow-through shares

Total of all resource deductions, allowances, depletion allowances, and carrying charges related to resource property and flow-through shares	12110 •		11
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")	12120 •		12
Income from dispositions of foreign resource properties and recovery of exploration and development expenses (if a loss, enter "0")	12130 •	+	13
Total resource income (line 12 plus line 13)		=	14
Loss, if any, created or increased by resource deductions and allowances, depletion allowances, and related carrying charges (line 11 minus line 14)		=	15

F. Limited partnership and tax shelter losses – Include the trust's total share of the partnership loss. 12160 • + 16

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. 12170 • + 17

Total additions to taxable income for minimum tax purposes (add lines 3, 4, 7, 10, 15, 16, and 17)		=	18
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Total additions to taxable income for minimum tax purposes (from line 18 on page 1)				18
Total gross-up amount of dividends kept by the trust (line 49 of the return)				19
Allowable business investment losses (line 25 of the return)		20A		
Capital gains conversion rate	× 3/5	20B		
Line 20A multiplied by line 20B	=		+	20
Total deductions from taxable income for minimum tax purposes (line 19 plus line 20)			=	21
Net additions to taxable income for minimum tax purposes (line 18 minus line 21)			=	22
Taxable income (line 56 of the return; if a loss, enter the amount in brackets)			+	23
Adjusted non-capital losses of other years used in the current year (see "Line 24" on page 4)			+	24
		12220		
Subtotal (add lines 22 to 24)			=	25
Net capital losses of other years used in the current year (see "Line 26" on page 5)		12240		26A
Capital gains conversion rate	× 3/5			26B
Line 26A multiplied by line 26B	=		-	26
Adjusted taxable income for minimum tax (line 25 minus line 26)			=	27
Basic exemption (see "Line 28" on page 5)				28
		12260		
Net adjusted taxable income for minimum tax (line 27 minus line 28; if negative, enter "0")			=	29
		12270		

If the amount on line 29 is more than zero, continue completing this schedule.
 If the amount on line 29 is zero, the trust is not subject to minimum tax. However, you should complete Part 7 to determine the amount of minimum tax carryover available for this year and for future years. Enter "0" on line 70. **Include Schedule 12 with the return.**

If the trust has:

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

Part 2 – Calculating the special foreign tax credit

(complete only if the trust kept foreign income)

Foreign non-business income for which the trust paid foreign non-business income tax				30
Foreign business income			+	31
Total foreign income (line 30 plus line 31)			=	32
Foreign income limit for special foreign tax credit (line 32	× 15% =			33
Foreign non-business income tax paid 34	× 66.67% =			35
Foreign business income tax paid			+	36
Total foreign taxes paid for special foreign tax credit (line 35 plus line 36)			=	37
Line 33 or line 37, whichever is less				38
Deductible amount of federal foreign tax credit (line 10 of Form T2209)				39
Special foreign tax credit (line 38 or line 39, whichever is more)				40
		12290		

Part 3 – Obligation to pay minimum tax

Net adjusted taxable income for minimum tax (line 29	× 15% =			41
Total donations and gifts tax credit (line 20 of Schedule 11)			-	42
Minimum amount (line 41 minus line 42)			=	43
Special foreign tax credit (line 40)				44
Net minimum tax payable (line 43 minus line 44)			=	45
Federal tax payable (line 44 of Schedule 11)				46
48% surtax on income not subject to provincial or territorial tax (line 32 of Schedule 11)			-	47
Federal tax before surtax (line 46 minus line 47)			=	48
Amount by which minimum amount is more than regular federal tax payable (line 45 minus line 48; if negative, enter "0")			=	49

If the amount on line 49 is more than zero, complete the rest of this schedule.
 If the amount on line 49 is zero, the trust is not subject to minimum tax. However, you should complete Part 7 to determine the amount of minimum tax carryover available for this year and for future years. **Include Schedule 12 with the return.**

If the trust has:

- **taxable income** on line 56 of the return, complete 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 31 of Schedule 11)			50	
Minimum amount (from line 43)			51	
Basic federal tax for the year (line 50 or line 51, whichever is more)			12420	52

Part 5 – Calculating federal tax payable (minimum tax)

Net minimum tax payable (from line 45)			53	
Surtax on income not subject to provincial or territorial tax (part of line 52 not subject to provincial or territorial tax		× 48%) =	+	54
Federal tax payable (line 53 plus line 54)			12550	55

Enter this amount on line 81 of the return.

To calculate provincial or territorial minimum tax, use Chart 3 on page 6.

Refundable Quebec abatement (see "Line 56" on page 5)	(line 52	× 16.5%) =		56
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Enter the amount from line 56 on line 87 of the return.

Part 6 – Calculating this year's additional taxes paid for minimum tax carryover

Minimum amount (from line 43)				57
Basic federal tax (line 31 of Schedule 11)			58	
Special foreign tax credit (from line 40)			59	
Deductible amount of federal foreign tax credit (from line 39)	-		60	
Subtotal (line 59 minus line 60)	=		61	
Amount from line 34			62	
Amount from line 36	+		63	
Total (line 62 plus line 63)	=		64	
line 61	×	line 37 line 64	=	65
Total (line 58 plus line 65)				66
Additional taxes available to carry over to later years (line 57 minus line 66; if negative, enter "0")			12670	67

Part 7 – Calculating the total minimum tax carryover

Minimum tax carryover from the seven previous tax years			12680	68
Tax payable before carryover (line 29 of Schedule 11)			69	
Minimum amount (from line 43)	-		70	
Maximum carryover that can be applied this year (line 69 minus line 70; if negative, enter "0") If the trust is subject to minimum tax, enter "0".	=		71	

Minimum tax carryover applied this year:

Claim an amount that is not more than line 68 or line 71, whichever is less, and enter it on line 30 of Schedule 11.			-	72
Balance of minimum tax carryover (line 68 minus line 72)	=			73
Additional taxes available from this year (from line 67)	+			74
Line 73 plus line 74	=			75
Additional 2003 taxes not applied			12760	76
Minimum tax carryover available for next year (line 75 minus line 76)	=		12690	77

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 master trust;
- under proposed changes, an employee life and health trust; and
- a spousal or common-law partner trust, a joint spousal or common-law partner trust, or an alter ego trust if it reports in the year its first deemed disposition on Form T1055, *Summary of Deemed Dispositions (2002 and later tax years)*.

Any other trust is liable to pay minimum tax if the net minimum tax payable on line 45 is more than the regular federal tax payable on line 48. A trust may have to pay minimum tax for the year if it:

- reports taxable capital gains (line 01 of the return);
- reports taxable dividends (line 03 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 22 of Schedule 11);
- claims a loss resulting from, or increased by, capital cost allowance (CCA) or carrying charges claimed on a rental or leasing property (line 09 of the return), or certified films or videotapes (line 06 of the return);
- has 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);
- has losses from tax shelters; or
- has carrying charges for interests in limited partnerships, tax shelters, rental or leasing properties, or film or resource properties, that increase or create a loss from these sources.

Note

Net income from rental, leasing, 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 3 – Non-taxable part of capital gains kept in the trust

This amount usually equals three-fifths of the taxable capital gains kept in the trust after the allocation and designation of net taxable capital gains to beneficiaries. **Do not** include taxable capital gains from mortgage foreclosures and conditional sales repossessions. Tax-free savings account trusts should not include an amount on line 3. Only the taxable part of a capital gain from the donation or gift of property is included in the base for determining minimum tax. If the trust reports a capital gain from donated property, you have to make an adjustment for the non-taxable part of capital gains as well. To make the adjustment, use the following chart. If you have completed Form T1055, you should also use the following chart to make the adjustment.

Chart 1 – Adjusted Line 3

Taxable capital gains from line 21 of Schedule 1		a	
Amount from line 25 of Form T1055 (include this amount only if the deemed disposition arises on a day described in D to I of that form)	+		b
Subtotal (line a plus line b)	=		$\times 3/5 =$ c
Net taxable capital gains allocated and designated (3/5 of line 921 from Schedule 9)		d	
30% of capital gains on other donated property from line 18 of Schedule 1	+	e	
Subtotal (line d plus line e)	=		f
Total (line c minus line f). Enter this amount on line 3.			g

Line 24 – 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 part of the non-capital losses attributable to:

- capital cost allowance or carrying charges 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 24.

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

Line 26 – Net capital losses of other years used in the current year

You may have claimed a capital loss from previous years on line 52 of the return. If this is the case, you will have to adjust the trust's income for minimum tax purposes. On line 26A, enter the net capital losses of other tax 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. Tax-free savings account trusts should not include an amount on line 26.

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 26A. Call us for details.

Line 28 – 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 28, enter the basic exemption, or the trust's allocated amount of the exemption from Schedule 6. For a definition of testamentary and grandfathered inter vivos trusts, see Guide T4013, *T3 Trust Guide*.

Note

For all other inter vivos trusts, enter "0" on line 28 of this schedule.

Part 5 – Calculating federal tax payable (minimum tax)**Line 56 – Refundable Quebec abatement**

For information, see the instructions for line 45 of Schedule 11 in the *T3 Trust Guide*.

Part 6 – Calculating this year's additional taxes paid for minimum tax carryover**Lines 57 to 67**

Use Part 6 to calculate the amount of any additional minimum tax payable by the trust for this year 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 30 of Schedule 11 in future years. You can claim a carryforward for a period of seven years.

Part 7 – Calculating the total minimum tax carryover**Lines 68 to 77**

Use Part 7 to calculate the minimum tax carryover from previous years that you can claim on Schedule 11 in this year. You can carry over minimum tax from the seven previous tax years. It is in the trust's best interests to apply the oldest available carryover first. For example, apply any carryover from 2004 before any carryover from 2005. Also use Part 7 to calculate the total minimum tax carryover, if any, that can be carried forward to later years.

Provincial and territorial minimum tax payable

Use Chart 3, Calculating Provincial and Territorial Minimum Tax, on the next page, to calculate the trust's provincial and territorial minimum tax payable.

