

- Use this schedule to calculate a trust's minimum tax.
- See page 3 of this schedule for trusts not subject to minimum tax in the taxation year.
- For information on how to complete this schedule, see the attached instructions.

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.

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 repossession, or a reserve from a year before 1986. If the trust is reporting reserves for dispositions before 1986, or capital gains from donated property, see "Line 1203" on page 3 of this schedule.

Taxable capital gains (from line 01 of the return)		1201	
Taxable capital gains allocated and designated to beneficiaries (from line 921 of Schedule 9)	-	1202	
Non-taxable portion of capital gains retained in the trust (line 1201 minus line 1202; if negative, enter "0")	=	x 1/3 =	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 3.	-	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 film property		1208 •	
Net income reported from film property before CCA and related carrying charges (if a loss, enter "0"). See the note on page 3.	-	1209 •	
Loss, if any, created or increased by CCA and related carrying charges (line 1208 minus 1209)	=	▶ +	1210

E. Resource production and royalties and flow through shares

Total of all resource and depletion allowances and related carrying charges claimed		1211 •	
a) Income reported from production of petroleum, gas, and minerals, including royalties before resource 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 (add lines 1212 and 1213)	=	▶ -	1214
Loss, if any, created or increased by resource 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. See the note on page 3.

+ 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

a) Gross-up amount of dividends retained by the trust (from line 49 of the return)		A	
b) Allowable business investment losses (from line 25 on the return)		x 1/3 = +	B
Total deductions from taxable income for minimum tax purposes (add lines A and B)	=	▶ -	1219

Net additions to taxable income for minimum tax purposes (line 1218 minus line 1219)

= 1220

Taxable income (amount from line 56 on the return -- this amount may be zero or a loss)		+ 1221	
Non-capital losses of other years used in current year (see "Line 1222" on page 4)		+ 1222 •	
Subtotal (add lines 1220, 1221, and 1222)	=	1223	

Net capital losses of other years used in current year (see "Line 1224" on page 4)		x 1/3 = -	1224
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Adjusted taxable income for minimum tax (line 1223 minus line 1224)	=	1225	
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Basic exemption (see "Line 1226" on page 4)	-	1226 •	
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Net adjusted taxable income for minimum tax (line 1225 minus line 1226; if negative, enter "0")	=	1227 •	
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If the amount on line 1227 is more than zero, complete page 2.

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 on the return, resume calculations on line 1124 of Schedule 11; or
- **no taxable income** on line 56 on the return, enter "0" on line 81 on 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 (add lines a and b)	=	c
Foreign income limit for special foreign tax credit (amount from line c	x 17% =	d
Foreign non-business income tax paid	e	x 66.67% =
Foreign business income tax paid	+	g
Total foreign taxes paid for special foreign tax credit (add lines f and g)	=	h
Line d or line h, whichever amount is less		i
Deductible amount of federal foreign tax credit (from line 10 on Form T2209)		j
Special foreign tax credit (line i or line j, whichever amount is more)		1229

Part 3 – Obligation to pay minimum tax

Net adjusted taxable income for minimum tax (amount from line 1227	x 17% =	1230
Total donations and gifts tax credit (from line 1112 of Schedule 11)	-	1231
Minimum amount (line 1230 minus line 1231)	=	1232
Special foreign tax credit (amount from line 1229)	-	1233
Net minimum tax payable (line 1232 minus line 1233)	=	1234
Federal tax payable before individual surtax (from line 1123 of Schedule 11)		1235
52% surtax on income not subject to provincial or territorial tax (from 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 on the return, resume calculations on line 1124 of Schedule 11; or
- **no taxable income** on line 56 on the return, enter "0" on line 81 on the return.

Part 4 – Basic federal tax for the year

Basic federal tax (from line 1115 of Schedule 11)		1240
Minimum amount (from line 1232)		1241
Basic federal tax for the year (line 1240 or line 1241, whichever amount is more)		1242

Use amount from line 1242 to calculate individual surtax payable in Part 5 and provincial or territorial tax payable on Schedules 13 and 14.

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 these taxes	x 52% =	1246
Federal tax payable before federal individual surtax (add lines 1245 and 1246)	=	1247
Federal individual surtax		
Individual surtax (line c from Chart 2 on page 4)		1248
Individual surtax reduction (line i from Chart 2 on page 4)	-	1249
Subtotal (line 1248 minus line 1249)	=	1250
Additional federal foreign tax credit (from line 22 on Form T2209, Part 2)	-	1251
Subtotal (line 1250 minus line 1251)	=	1252
Additional investment tax credit (from Form T2038 (IND))	-	1253
Federal individual surtax payable (line 1252 minus line 1253)	=	1254
Total federal tax payable (add lines 1247 and 1254). Transfer this amount to line 81 on the return.	=	1255

Refundable Quebec abatement

(amount from line 1242 x 16.5%) = 1256

Transfer the amount from line 1256 to line 87 on the return.

Part 6 – Calculating additional taxes paid for minimum tax carryover

Minimum amount from line 1232		1260
Basic federal tax (from line 1115 of Schedule 11)		1261
Special foreign tax credit from line 1229		1262
Deductible amount of federal foreign tax credit from line j in Part 2	-	1263
Subtotal (line 1262 minus line 1263)	=	1264
Amount from line e in Part 2		A
Amount from line g in Part 2	+	B
Total (add lines A and B)	=	C
(amount on line 1264 x amount from line h in Part 2 amount from line C in this Part) = +	1265
Total (add lines 1261 and 1265)	=	1266
Additional taxes available to carry over to subsequent years (line 1260 minus line 1266)	=	1267
Unused minimum tax carryover from earlier years (from line 1269 of previous year's Schedule 12)	+	1268
Total minimum tax carryover available for subsequent years (add lines 1267 and 1268)	=	1269

The following trusts are not subject to minimum tax: • a mutual fund trust • a related segregated fund trust • a spousal trust for the taxation year in which it reports its first deemed realization under the 21-year rule • for the 1992 and subsequent taxation years, trusts prescribed to be master trusts.

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

Part 1 – Calculating adjusted taxable income

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

For taxation years beginning after 1994, net adjusted taxable income for minimum tax purposes is extended to apply 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 have to net allocated partnership losses against gains from the same partnership source.

Line 1203 – Non-taxable portion of capital gains retained in the trust

This amount usually equals one-third of the taxable capital gains retained 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. For taxation years beginning after 1996, only the taxable portion of any 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, or a capital gains reserve that relates to a disposition before 1986, you have to make an adjustment for the non-taxable portion of capital gains. To make the adjustment, use the following chart. If you completed Form T1055, *Summary of Deemed Realizations*, you should use that form to make the adjustment.

Chart 1 – Adjusted line 1203

1/3 of taxable capital gains from line 122 on Schedule 1				a
Reserve (1985 and previous dispositions) 1/4 of amounts in column 2, lines 210 and 215 of Schedule 2		+		b
Add lines a and b		=		c
Reserve (1985 and previous dispositions) 1/4 of amounts in column 1, lines 210 and 215 of Schedule 2				d
Net taxable capital gains allocated and designated (1/3 of line 921, Part A of Schedule 9)		+		e
1/4 of reduced capital gains on donated securities from line 119, Schedule 1		+		f
1/4 of capital gains on other donated property from line A, Schedule 1		+		g
Subtotal (add lines d to g)		=	➔	h
Total (line c minus line h). Transfer this amount to line 1203		=		i

Line 1222 – 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. This will reflect 100% of those capital losses.

On line 1224, enter one-third of the net capital losses of other taxation years that you claimed in the current year on line 52 on the return. Do not include capital losses on mortgage foreclosures and conditional sales repossessions.

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 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 1248 to 1254 – Federal individual surtax payable

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

- for a trust other than a mutual fund trust:
 - the basic federal tax on line 1115 on 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 on Schedule 11, minus the least of the amounts (a), (b), and (c) on Form T184, *Calculation of Capital Gains Refund for a Mutual Fund Trust*.

If the basic federal tax amount is more than \$12,500, the trust has to pay an additional 5% surtax on the amount that is more than \$12,500. If the trust is entitled to 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. Use the following chart to calculate the amounts on lines 1248 and 1249.

Chart 2 – Calculation of lines 1248 and 1249

Basic federal tax on line 1242		x 3%			a
Minus \$12,500	–	\$12,500 00			
Result (if negative, enter "0")	=		x 5%	+	b
			Add lines a and b	=	c
Federal individual surtax reduction: (if line 1242 is \$12,500 or more enter "0" on line i)					
Base amount				\$250 00	d
Enter basic federal tax from line 1242			e		
Minus \$8,333	–	\$8,333 00			f
Line e minus line f (if negative, enter "0")	=		x 6%	–	g
Line d minus line g (if negative, enter "0")	=			=	h
Enter the amount from line a or line h, whichever is less			x 50%		i

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. A carryforward is permitted for a period of seven years.