



PART I.3 TAX ON FINANCIAL INSTITUTIONS (1998 and later taxation years)

Name of corporation, Business Number, Taxation year end (Year, Month, Day)

- This schedule is for use by financial institutions (other than insurance corporations) that have Part I.3 tax payable before the deduction of surtax credits.
Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal Income Tax Act.
Subsection 181(1) defines the terms "financial institution," "long-term debt," and "reserves."
Subsection 181(3) provides the basis to determine the carrying value of a corporation's assets or any other amount under Part I.3 in respect of its capital, investment allowance, taxable capital, or taxable capital employed in Canada, or in respect of a partnership in which it has an interest.
No Part I.3 tax is payable for a taxation year by a corporation that was:
1) a non-resident-owned investment corporation throughout the year;
2) bankrupt [as defined by subsection 128(3)] at the end of the year;
3) a deposit insurance corporation throughout the year as defined by subsection 137.1(5), or deemed to be a deposit insurance corporation by subsection 137.1(5.1);
4) exempt from tax under section 149 throughout the year on all of its taxable income;
5) neither resident in Canada nor carried on business through a permanent establishment in Canada at any time in the year; or
6) a corporation described in subsection 136(2) throughout the year, the principal business of which was marketing (including processing incidental to or connected therewith) natural products belonging to or acquired from its members or customers.
File a completed copy of Schedule 34 with the T2 Corporation Income Tax Return within six months of the end of the taxation year.

Filing date (for departmental use only) 100 Year Month Day

Part 1 - Capital

Reserves that were not deducted in computing income under Part I for the year 201
Add the following amounts at the end of the year:
Long-term debt 202
Capital stock (see note below) 203
Retained earnings 204
Contributed surplus 205
Any other surpluses 206
Subtotal A
Deduct the following amounts:
Deferred tax debit balance at the end of the year 221
Any deficit deducted in computing the shareholders' equity at the end of the year 222
Any amount deducted under subsection 130.1(1) or 137(2) in computing income under Part I for the year, to the extent that the amount may reasonably be regarded as being included in any of the amounts determined at lines 201 to 206 223
Subtotal B
Capital for the year (amount A minus amount B) (if negative, enter "0") 290

Note: In the case of an institution incorporated without share capital, enter the amount of its members' contributions.

Part 2 - Investment allowance

To be completed by a financial institution that was resident in Canada throughout the year or at any time in the year.
Add the carrying value at the end of the year of the following assets of the financial institution:
All shares of the capital stock of related financial institutions 401
All long-term debts of related financial institutions 404
Investment allowance for the year 490

In any other case, the investment allowance is nil.

- Notes: 1) A share of the capital stock or long-term debt of another financial institution that is exempt from Part I.3 tax is to be excluded from the carrying value of any asset determined above.
2) Where a credit union is a shareholder or member of another credit union, the two credit unions shall be deemed to be related to each other.

Part 3 - Taxable capital

Capital for the year (line 290) C
Deduct: Investment allowance for the year (line 490) D
Taxable capital for the taxation year (amount C minus amount D) (if negative, enter "0") 500

**Part 4 – Taxable capital employed in Canada**

The total of all amounts each of which is the carrying value at the end of the year of an asset of the financial institution (other than property held by the institution primarily for the purpose of resale that was acquired by the financial institution, in the year or the preceding year, as a consequence of another person's default or anticipated default in respect of a debt owed to the institution) that is tangible property used in Canada ..... **511** \_\_\_\_\_

**Add:**

Where the financial institution has an interest in a partnership at the end of the year, the proportion of the total of all amounts each of which is the carrying value of an asset of the partnership, that is tangible property used in Canada ..... **512** \_\_\_\_\_

Taxable capital for the year (line 500) \_\_\_\_\_ x  $\frac{\text{Canadian assets at year end (see note below)}}{\text{Total assets at year end (see note below)}}$  **611** \_\_\_\_\_ = **650** \_\_\_\_\_

**612** \_\_\_\_\_

**Taxable capital employed in Canada** ..... **690** \_\_\_\_\_

**Note:** The terms "Canadian assets" and "total assets" are defined in section 8600 of the *Income Tax Regulations*.

**Part 5 – Calculation of gross Part I.3 tax**

Taxable capital employed in Canada for the year (line 690) ..... \_\_\_\_\_

**Deduct:** Capital deduction claimed for the year (enter \$10,000,000 or, for related corporations, the amount allocated on Schedule 36) ..... **801** \_\_\_\_\_

Excess of taxable capital employed in Canada over capital deductions ..... **811** \_\_\_\_\_

**Gross Part I.3 tax:** Line 811 \_\_\_\_\_ x .00225 = \_\_\_\_\_ **E**

Where the taxation year of a corporation is less than 51 weeks, calculate the amount of tax payable as follows:

Amount E \_\_\_\_\_ x  $\frac{\text{Number of days in the year ( )}}{365}$  = \_\_\_\_\_ **F**

**Gross Part I.3 tax** (amount E or F, whichever applies) ..... **820** \_\_\_\_\_

**Part 6 – Calculation of current year surtax credits**

- Corporations can claim a credit against their Part I.3 tax for the amount of Canadian surtax payable. This is called the surtax credit.
- Any unused surtax credit can be carried back three years or carried forward seven years. Unused surtax credits must be applied in order of the oldest first.
- Refer to subsection 181.1(7) of the Act when calculating the amount deductible in respect of a corporation's unused surtax credits where control of the corporation has been acquired between the year in which the credits arose and the year in which the corporation wants to claim them.

Current year surtax credit equals current year Canadian surtax payable.

**Canadian surtax payable**

For a corporation that was not resident in Canada throughout the year, the lesser of a and b below:

a) line 600 from the T2 return ..... \_\_\_\_\_

b) line 700 **plus** lines 656 and 660 from the T2 ..... \_\_\_\_\_ **G**

In any other case, the lesser of c and d below:

c) line 600 from the T2 return \_\_\_\_\_ x  $\frac{\text{line 650 of this schedule}}{\text{line 500 of this schedule}}$  = \_\_\_\_\_

d) line 700 **plus** lines 656 and 660 from the T2 return ..... \_\_\_\_\_ **H**

**Current year surtax credit** (amount G or H, whichever applies) ..... **830** \_\_\_\_\_

**Part 7 – Calculation of Part I.3 tax credit available for carry-forward**

Amount from line 830 .....	_____	
<b>Less:</b> Part I.3 tax before deducting surtax credits (line 820) .....	_____	I
Net amount .....	=====	J
If amount J is <i>positive</i> : this excess may be used to reduce Part VI tax payable to the extent that the Part VI tax payable exceeds Part I tax credits on page 4 of Schedule 38 .....		
	=====	K
If amount J is <i>negative</i> : this represents the amount of unused surtax credit for 1992 and subsequent taxation years that may be carried forward (from previous years) to reduce Part I.3 tax payable in the current year. If an amount is carried forward, complete box 2 of Schedule 37 .....		
	=====	L
Part I tax before deducting Part VI tax credits and Part I.3 tax credits (lines 656 and 660 on the T2 return) .....	_____	
<b>Less</b> the total of the following amounts:		
Amount I above .....	_____	
Part VI tax before deducting tax credits (amount FF, Schedule 38) .....	_____	
Subtotal	=====	
Net amount	=====	M
Lesser of amounts K and M. This represents the maximum amount of Part I.3 tax credit that may be carried forward from taxation years prior to 1992 and applied this year to reduce Canadian surtax payable (refer to box 1 of Schedule 37 for unused Part I.3 tax credit balance) .....		
	=====	N
<b>Note:</b> The portion of amount N carried forward should be entered at line 660 of the T2 return.		

**Part 8 – Calculation of current year unused surtax credit**

Amount J (if positive) .....	_____	
<b>Less:</b> Part I.3 tax credits claimed (carried forward from taxation years prior to 1992 – see amount N above) .....	_____	
Net amount .....	=====	O
Net amount from Part 11 of Schedule 38 .....	_____	
<b>Less</b> the total of: Amount FF (page 4 of Schedule 38) .....	_____	
Amount I above .....	_____	
Subtotal	=====	
Net amount	=====	P
<b>Current year unused surtax credit</b> (the lesser of amounts O and P) (enter on Schedule 37) .....	<b>850</b>	=====

**Part 9 – Calculation of net Part I.3 tax payable**

Gross Part I.3 tax (line 820) .....	_____	
<b>Deduct</b>		
Current year surtax credit applied (the lesser of lines 820 and 830) .....	<b>861</b>	_____
Unused surtax credit from prior years applied .....	<b>862</b>	_____
Total (cannot exceed amount on line 820)	=====	R
<b>Net Part I.3 tax payable</b> (amount Q minus amount R) Enter this amount at line 704 of the T2 return. ....	<b>870</b>	=====