Canada Revenue Agency | Agence du revenu du Canada

PART I.3 TAX ON LARGE CORPORATIONS (2006 and later tax years)

SCHEDULE 33
Code 0602

Name of corporation	Business Number	Tax year-end Year Month Day

- File this schedule if the total taxable capital employed in Canada of the corporation (other than a financial institution or an insurance corporation) and its related corporations is greater than $10,000,000.
- Even if there is no Part I.3 tax payable for the days in the tax year that are after 2005, you must still complete this schedule (except parts 5 and 9).
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act* and the *Income Tax Regulations*.
- 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 for its capital, investment allowance, taxable capital, or taxable capital employed in Canada, or for a partnership in which it has an interest.
- No Part I.3 tax is payable for a tax year by a corporation that was:
  1) bankrupt [as defined by subsection 128(3)] at the end of the year;
  2) 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);
  3) exempt from tax under section 149 throughout the year on all of its taxable income;
  4) neither resident in Canada nor carrying on a business through a permanent establishment in Canada at any time in the year; or
  5) a corporation described in subsection 136(2) throughout the year, the principal business of which was marketing (including any related processing) natural products belonging to or acquired from its members or customers.
- File the completed Schedule 33 with the *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- This schedule may contain changes that had not yet become law at the time of printing.

If the corporation was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada, go to Part 4, "Taxable capital employed in Canada."

Part 1 – Capital

Add the following amounts at the end of the year:

Reserves that have not been deducted in computing income for the year under Part I	101		
Capital stock (or members' contributions if incorporated without share capital)	103		
Retained earnings	104		
Contributed surplus	105		
Any other surpluses	106		
Deferred unrealized foreign exchange gains	107		
All loans and advances to the corporation	108		
All indebtedness of the corporation represented by bonds, debentures, notes, mortgages, hypothecary claims, bankers' acceptances, or similar obligations	109		
Any dividends declared but not paid by the corporation before the end of the year	110		
All other indebtedness of the corporation (other than any indebtedness for a lease) that has been outstanding for more than 365 days before the end of the year	111		
Proportion of the amount, if any, by which the total of all amounts (see note below) for the partnership of which the corporation is a member at the end of the year exceeds the amount of the partnership's deferred unrealized foreign exchange losses	112		
Subtotal		►	A

Deduct the following amounts:

Deferred tax debit balance at the end of the year	121		
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year	122		
Any amount deducted under subsection 135(1) in computing income under Part I for the year, as long as the amount may reasonably be regarded as being included in any of lines 101 to 112 above	123		
The amount of deferred unrealized foreign exchange losses at the end of the year	124		
Subtotal		►	B
Capital for the year (amount A minus amount B) (if negative, enter "0")	190		

Note: Lines 101, 107, 108, 109, 111, and 112 are determined as follows:

– If the partnership is a member of another partnership (tiered partnerships), include the amounts of the partnership and tiered partnerships.
– Amounts for the partnership and tiered partnerships are those that would be determined for lines 101, 107, 108, 109, 111, and 112 as if they apply in the same way that they apply to corporations.
– Do not include amounts owing to the member or to other corporations that are members of the partnership.
– Amounts are determined at the end of the last fiscal period of the partnership ending in the year of the corporation.
– The proportion of the total amounts is determined by the corporation's share of the partnership's income or loss for the fiscal period of the partnership.

Part 2 – Investment allowance

Add the carrying value at the end of the year of the following assets of the corporation:

A share of another corporation	401	
A loan or advance to another corporation (other than a financial institution)	402	
A bond, debenture, note, mortgage, hypothecary claim, or similar obligation of another corporation (other than a financial institution)	403	
Long-term debt of a financial institution	404	
A dividend receivable on a share of the capital stock of another corporation	405	
A loan or advance to, or a bond, debenture, note, mortgage, hypothecary claim, or similar obligation of, a partnership all of the members of which, throughout the year, were other corporations (other than financial institutions) that were not exempt from tax under Part I.3 [other than by reason of paragraph 181.1(3)(d)]	406	
An interest in a partnership (see note 1 below)	407	
Investment allowance for the year (add lines 401 to 407)	490	

Notes:

1. Where the corporation has an interest in a partnership or in tiered partnerships, consider the following:
   - the investment allowance of a partnership is deemed to be the amount calculated at line 490 above, at the end of its fiscal period, as if it was a corporation;
   - the total of the carrying value of each asset of the partnership described in the above lines is for its last fiscal period ending at or before the end of the corporation's tax year; and
   - the carrying value of a partnership member's interest at the end of the year is its specified proportion [as defined in subsection 248(1)] of the partnership's investment allowance.
2. Lines 401 to 405 should not include the carrying value of a share of the capital stock of, a dividend payable by, or indebtedness of a corporation that is exempt from tax under Part I.3 [other than by reason of paragraph 181.1(3)(d)].
3. Where a trust is used as a conduit for loaning money from a corporation to another related corporation (other than a financial institution), the loan will be considered to have been made directly from the lending corporation to the borrowing corporation, according to subsection 181.2(6).

Part 3 – Taxable capital

Capital for the year (line 190)			C
Deduct: Investment allowance for the year (line 490)			D
Taxable capital for the year (amount C minus amount D) (if negative, enter "0")	500		

Part 4 – Taxable capital employed in Canada

To be completed by a corporation that was resident in Canada at any time in the year

Taxable capital for the year (line 500) ________ X (Taxable income earned in Canada **610** ________ / Taxable income) = **Taxable capital employed in Canada** **690** ________

Notes:
1. Regulation 8601 gives details on calculating the amount of taxable income earned in Canada.
2. Where a corporation's taxable income for a tax year is "0," it shall, for the purposes of the above calculation, be deemed to have a taxable income for that year of $1,000.
3. In the case of an airline corporation, Regulation 8601 should be considered when completing the above calculation.

To be completed by a corporation that was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada

Total of all amounts each of which is the carrying value at the end of the year of an asset of the corporation used in the year or held in the year, in the course of carrying on any business it carried on during the year through a permanent establishment in Canada			701		
Deduct the following amounts:					
Corporation's indebtedness at the end of the year [other than indebtedness described in any of paragraphs 181.2(3)(c) to (f)] that may reasonably be regarded as relating to a business it carried on during the year through a permanent establishment in Canada	711				
Total of all amounts each of which is the carrying value at the end of year of an asset described in subsection 181.2(4) of the corporation that it used in the year, or held in the year, in the course of carrying on any business during the year through a permanent establishment in Canada	712				
Total of all amounts each of which is the carrying value at the end of year of an asset of the corporation that is a ship or aircraft the corporation operated in international traffic, or personal or movable property used or held by the corporation in carrying on any business during the year through a permanent establishment in Canada (see note below)	713				
Total deductions (add lines 711, 712, and 713)			►		E
Taxable capital employed in Canada (line 701 minus amount E) (if negative, enter "0")			790		

Note: Complete line 713 only if the country in which the corporation is resident did not impose a capital tax for the year on similar assets, or a tax for the year on the income from the operation of a ship or aircraft in international traffic, of any corporation resident in Canada during the year.

Part 5 – Calculation of gross Part I.3 tax

If the tax year starts after 2005, do not complete this part.

Taxable capital employed in Canada (line 690 or 790, whichever applies) . . . . ______

Deduct: Capital deduction claimed for the year (enter $50,000,000 or, for related corporations, the amount allocated on Schedule 36) . . . . ______

Excess of taxable capital employed in Canada over capital deduction . . . . **811** ______

Line 811 ______ x (Number of days in the tax year in 2004 / Number of days in the tax year) ______ x 0.002 = ... ______ F

Line 811 ______ x (Number of days in the tax year in 2005 / Number of days in the tax year) ______ x 0.00175 = ... ______ G

Note: The Part I.3 tax rate is reduced to 0% for the days in the tax year that are after 2005.

Subtotal (add amounts F and G) ______ H

Where the tax year of a corporation is less than 51 weeks, calculate the amount of gross Part I.3 tax as follows:

Amount H ______ x (Number of days in the year ( ) / 365) = ... ______ I

Gross Part I.3 tax (amount H or I, whichever applies) . . . . **820** ______

Part 6 – Calculation of gross Part I.3 tax for purposes of the unused surtax credit

Taxable capital employed in Canada (line 690 or 790, whichever applies) . . . . ______ J

Deduct: Capital deduction claimed for the year (enter $50,000,000 or, for related corporations, the amount allocated on Schedule 36) **801** ______ x 1/5 = ... ______ K

Excess (amount J minus amount K) (if negative, enter "0") ______ L

Amount L ______ x 0.00225 = ... ______ M

Where the tax year of a corporation is less than 51 weeks, calculate the amount of gross Part I.3 tax for purposes of the unused surtax credit as follows:

Amount M ______ x (Number of days in the year ( ) / 365) = ... ______ N

Gross Part I.3 tax for purposes of the unused surtax credit (amount M or N, whichever applies) . . . . **821** ______

Part 7 – Calculation of current-year surtax credit available

- Corporations can claim a credit against their Part I.3 tax for the amount of Canadian surtax payable for the year. 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) when calculating the amount deductible for 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 you want to claim them.

For a corporation that was a non-resident of Canada throughout the year, enter amount **a** or **b** at line O, whichever is less:

a) line 600 from the T2 return . . . . ______ **a**

b) line 700 from the T2 return . . . . ______ **b** ______ O

In any other case, enter amount **c** or **d** at line P, whichever is less:

c) line 600 from the T2 return ______ x $\frac{\text{line 690 of this schedule}}{\text{line 500 of this schedule}}$ ______ = ______ **c**

d) line 700 from the T2 return . . . . ______ **d** ______ P

Current-year surtax credit available (amount O or P, whichever applies) . . . . **830** ______

Part 8 – Calculation of current-year unused surtax credit

Current-year surtax credit available (line 830) . . . . ______

Less: Gross Part I.3 tax for purposes of the unused surtax credit (line 821) . . . . ______

Current-year unused surtax credit (if negative, enter "0") . . . . **850** ______
Enter this amount at line 600 on Schedule 37.

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

If the tax year starts after 2005, do not complete this part.

Gross Part I.3 tax (line 820) . . . . ______ Q

Deduct:

Current-year surtax credit applied (line 820 or 830, whichever is less) . . . . **861** ______

Unused surtax credit from previous years applied (amount from line 320 on Schedule 37) **862** ______

Subtotal (cannot be more than amount on line 820) ______ ► ______ R

Net Part I.3 tax payable (amount Q minus amount R). . . . . **870** ______
Enter this amount at line 704 of the T2 return.

Part 10 – Calculation for purposes of the small business deduction

This part is applicable only to corporations that are not associated in the current year, but were associated in the prior year.

Taxable capital employed in Canada (line 690 or 790, whichever applies) . . . . ______ S

Deduct:

Capital deduction claimed for the year (enter $10,000,000) . . . . ______ T

Excess (amount S minus amount T) (if negative, enter "0") ______ U

Gross Part I.3 tax for purposes of the small business deduction (Amount U x 0.00225) . . . . ______ V
Enter this amount at line 415 of the T2 return