Canada Customs and Revenue Agency | Agence des douanes et du revenu du Canada

PART I.3 TAX ON LARGE CORPORATIONS (1998 and later taxation years)

SCHEDULE 33

Name of corporation	Business Number	Taxation year end Year Month Day

- This schedule is for use by corporations (other than financial institutions and insurance corporations) that have Part I.3 tax payable before the deduction for 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 a 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 the completed Schedule 33 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

Complete the following areas to determine the amounts needed to calculate Part I.3 tax. If the corporation was not resident in Canada throughout the year and carried on a business through a permanent establishment in Canada, go to Part 5, "Taxable capital employed in Canada – Non-resident corporation."

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, 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 in respect of 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 (that would be determined under lines 101, 107, 108, 109, 111 and 112) in respect of 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 (see note below)	112		
Subtotal		▶	A

Deduct the following amounts:

Deferred tax debit balance at the end of the year	121		
Any deficit deducted in computing the shareholders' equity	122		
Any amount deducted under subsection 135(1) 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 lines 101 to 112 above	123		
The amount of deferred unrealized foreign exchange losses	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:

- Amounts owing to the member or to corporations that are other members of the partnership are not to be included.
- Amounts are determined as at the end of the last fiscal period of the partnership ending in the year of the corporation.
- Amounts at these lines apply to partnerships in the same way that they apply to corporations.
- The proportion of the total amounts is determined in accordance with 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, 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 or similar obligation of, a partnership all of the members of which, throughout the year, were other corporations (other than financial instutitions) 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	407	
Investment allowance for the year	490	

Note: 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 of the Act (other than by reason of paragraph 181.1(3)(d) of the Act).

Part 3 – Taxable capital

Capital for the year (line 190)			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 – Canadian resident corporation

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 $\frac{\text{Taxable income earned in Canada (610)}}{\text{Taxable income}}$ = 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 taxation 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.

Part 5 – Taxable capital employed in Canada – Non-resident corporation

To be completed by a corporation that was not resident in Canada throughout the year and carried on a business through a permanent establishment in Canada.

Total of all amounts 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 it carried on during the year in Canada	712				
Total amount of 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 property used or held by the corporation in carrying on any business during the year in Canada	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		

Part 6 – Calculation of gross Part I.3 tax

Taxable capital employed in Canada for the year (line 690 or 790, whichever applies) . . . . ________

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 deduction . . . . **811** ________

Gross Part I.3 tax: Line 811 ________ x .00225 = ________ F

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

Amount F ________ x $\dfrac{\text{Number of days in the year ( )}}{365}$ = ________ G

Gross Part I.3 tax (amount F or G, whichever applies) . . . . **820** ________

Part 7 – 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 you want 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 line 660 from the T2 return . . . . ________ ________ H

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

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

d) line 700 plus line 660 from the T2 return . . . . ________ ________ I

Current year surtax credit (amount H or I, whichever applies) . . . . **830** ________

Part 8 – Calculation of Part I.3 tax credit available for carry-forward

Amount on line 830 . . . . ________

Less: Part I.3 tax before deducting surtax credits (line 820) . . . . ________ J

Net amount ________ K

If the amount on line K is *positive*, it represents the amount of Part I.3 tax credits that may be carried forward from taxation years prior to 1992 and applied this year to reduce Canadian surtax payable. Refer to Schedule 37 for unused Part I.3 tax credit balance . . . . ________ L

Note: The portion of amount K carried forward should be entered at line 660 of the T2 return.

If the amount on line K is *negative*, it represents the amount of unused surtax credit of other years that may be applied to reduce Part I.3 tax payable in the current year . . . . ________ M

Part 9 – Calculation of current year unused surtax credit

Amount K (if positive) . . . . ________

Less: Part I.3 tax credits claimed (carried forward from taxation years prior to 1992 – see amount L above) . . . . ________

Current year unused surtax credit (enter this amount on Schedule 37) . . . . **850** ________

Part 10 – Calculation of net Part I.3 tax payable

Gross Part I.3 tax (line 820) . . . . ________ N

Deduct the following amounts:

Current year surtax credit applied (the lesser of lines 820 and 830) . . . . **861** ________

Unused surtax credit from prior years applied . . . . **862** ________

Total (cannot exceed amount on line 820) ________ ▶ ________ O

Net Part I.3 tax payable (amount N minus amount O) Enter this amount at line 704 of the T2 return. . . . . **870** ________