

CALCULATION OF FEDERAL FOREIGN TAX CREDITS

Use this form to calculate the amount you can claim as a deduction from federal tax and from the federal individual surtax for a taxation year. You can claim this credit if you were resident in Canada at any time in the taxation year, and you had to include, on your Canadian return, income which originated in a foreign country for which you paid non-business or business taxes to that foreign country. Attach a completed copy of this form to your return. If the total foreign taxes you paid to all foreign countries is more than \$200, complete a separate form for each foreign country to which you paid taxes.

See the back for details. For more information, get Interpretation Bulletin IT-270, *Foreign Tax Credit*, or contact your Revenue Canada tax services office.

Part 1 – Federal foreign tax credit

Foreign non-business income

Non-business-income tax paid to a foreign country * 1

Net foreign non-business income ** \times Federal tax **** = 2
 Divided by: Net income ***

Enter the amount from line 1 or line 2, whichever is less **Federal non-business foreign tax credit** 3

Foreign business income

Business-income tax paid to a foreign country †, plus any unused foreign tax credits for that country for the seven taxation years before and the three taxation years immediately after this taxation year 4

Net foreign business income †† \times Basic federal tax ††† = 5
 Divided by: Net income ***

Federal surtax on income you earned outside Canada:

Amount from line 8 of Form T2203, *Calculation of Tax for 19__ – Multiple Jurisdictions*, or 52% of the amount from line 33 of Schedule 1. If you paid business-income tax to more than one country, enter the portion that applies to this country + 6

Add line 5 and line 6 = 7

Add basic federal tax ††† and the amount from line 6 8

Enter the amount from line 3, if any = 8

Enter the amount from line 4, 7, or 8, whichever is the least **Federal business foreign tax credit** 9

Add line 3 and line 9. Enter this amount on line 36 of Schedule 1 **Federal foreign tax credit** 10

Part 2 – Additional foreign tax credit (to be deducted from individual surtax)

Foreign non-business income

Enter the amount from line 1 11

Net foreign non-business income ** \times Federal tax **** plus federal individual surtax from line 47 of Schedule 1 = 12
 Divided by: Net income ***

Enter the amount from line 11 or line 12, whichever is less 13

Enter the amount from line 3, if any - 14

Line 13 minus line 14 (if negative, enter "0") **Additional federal non-business foreign tax credit** = 15

Foreign business income

Line 4 minus line 9 16

Net foreign business income †† \times Basic federal tax ††† plus federal individual surtax from line 47 of Schedule 1 = 17
 Divided by: Net income ***

Federal surtax on income you earned outside Canada:

Amount from line 8 of Form T2203, *Calculation of Tax for 19__ – Multiple Jurisdictions*, or 52% of the amount from line 33 of Schedule 1. If you paid business-income tax to more than one country, enter the portion that applies to this country + 18

Add line 17 and line 18 = 19

Enter the amount from line 9 - 20

Line 19 minus line 20 (if negative, enter "0") = 21

Enter the federal individual surtax from line 47 of Schedule 1 22

Enter the amount from line 15, if any - = 22

Enter the amount from line 16, 21, or 22, whichever is the least **Additional federal business foreign tax credit** 23

Add line 15 and line 23. Enter the result on line 48 of Schedule 1 **Additional federal foreign tax credit** 24

If amount C in Part 3 of Form T691, *Calculation of Minimum Tax*, is more than the total of lines 10 and 24 for all your T2209 forms, you cannot claim the additional foreign tax credit. Enter "0" on line 48 of Schedule 1.

* **Non-business-income tax paid to a foreign country** (see Note 1) is the total income or profits taxes you paid to that country or to a political subdivision of the country for the year (excluding business-income tax), minus any part of these taxes that is deductible under subsection 20(11) or deducted under subsection 20(12) of the *Income Tax Act*. It also does not include any part of these taxes that can reasonably be attributed to amounts that:

- any other person or partnership received or is entitled to receive from the foreign country;
- relate to employment income from that country for which you claimed an overseas employment tax credit;
- relate to taxable capital gains from that country for which you or your spouse claimed a capital gains deduction;
- were deductible as exempt income under a tax treaty between Canada and that country; or
- were taxable in the foreign country because you were a citizen of that country, and relate to income from a source within Canada.

** **Net foreign non-business income** (see Note 2) is the total of the gross non-business income you earned in the foreign country, minus allowable expenses and deductions relating to the foreign income (including deductions claimed under subsections 20(11) or 20(12) of the federal *Income Tax Act*, and excluding any deduction you claimed for a dividend you received from a controlled foreign affiliate). Reduce this amount by any income from that foreign country for which you claimed a capital gains deduction, and by any income from that country that was, under a tax treaty between Canada and that country, either deductible as exempt income in Canada, or exempt from tax in that country. Also, reduce this amount by any part of employment income from that country for which you claimed an overseas employment tax credit. If the net foreign non-business income is more than **net income**, use **net income** in the calculation.

*** **Net income** (see Note 3) is the amount on line 236 of your return, minus any:

- amounts deductible as an employee home relocation loan deduction (line 248 of your return);
- amounts deductible as stock option and shares deductions (line 249 of your return);
- amounts deductible as an other payments deduction (line 250 of your return);
- net capital losses of other years you claimed (line 253 of your return);
- capital gains deduction you claimed (line 254 of your return); and
- income deductible as net employment income from a prescribed international organization or foreign income deductible as exempt income under a tax treaty (included on line 256 of your return).

**** **Federal tax** (see Note 5) is the amount on line 33 of Schedule 1, plus any:

- overseas employment tax credit (from Form T626, *Overseas Employment Tax Credit*);
- federal dividend tax credit (from line 30 of Schedule 1); and
- federal surtax on income you earned outside Canada (from Schedule 1 or line 8 of Form T2203, *Calculation of Tax for 19__ – Multiple Jurisdictions*);

and minus any:

- refundable Quebec abatement from line 440 of your return (or line 14 of Form T2203, if it is less); and
- tax adjustments for CPP/QPP benefits for previous years (included on line 27 of Schedule 1).

† **Business-income tax paid to a foreign country** (see Note 1) is the total of business-income or profits taxes you paid to that country or to a political subdivision of the country for the year (see Note 4).

It does not include any part of the business-income tax that can be reasonably attributed to an amount that any other person or partnership has received or is entitled to receive from that country, or was deductible as exempt income under a tax treaty between Canada and that country.

†† **Net foreign business income** (see Note 2) is the total business income you earned in the foreign country minus allowable expenses and deductions relating to the foreign income, and minus any part that was, under a tax treaty between Canada and that country, either deductible as exempt income in Canada, or exempt from tax in that country. If the net foreign business income is more than **net income**, use **net income** in the calculation.

††† **Basic federal tax** (see Note 5) is the amount on line 33 of Schedule 1, plus any:

- overseas employment tax credit (from Form T626); and
 - federal dividend tax credit (from line 30 of Schedule 1);
- and minus any:
- tax adjustments for CPP/QPP benefits for previous years (included on line 27 of Schedule 1).

Note 1

Any amount of tax paid to a foreign government in excess of the amount required to be paid, according to a tax treaty, is considered a voluntary contribution and does not qualify as foreign taxes paid.

Note 2

If you were a resident of Canada for part of the year, only include the income for the part of the year you were a resident of Canada.

Note 3

If you were a resident of Canada for part of the year, include the income for the part of the year you were a resident of Canada, and the taxable income you earned in Canada (before deductions in paragraphs 115(1)(d) to (f) of the *Income Tax Act*) as reported on your Canadian return, for the part of the year you were not a resident of Canada.

Note 4

If you were a resident of Quebec, multiply this amount by 55%.

Note 5

If you were a resident of Quebec, **federal tax** or **basic federal tax** is the amount on line 33 of Schedule 1, plus any:

- overseas employment tax credit (from Form T626); and
- federal dividend tax credit (from line 30 of Schedule 1);

and minus any:

- refundable Quebec abatement from line 440 of your return (or line 14 of Form T2203, if it is less).