



PART XII.3 TAX RETURN – TAX ON INVESTMENT INCOME OF LIFE INSURERS

- For use by a life insurer to calculate the Part XII.3 tax on its taxable Canadian life investment income for the year.
• File two copies of the completed return, separately from any other return, at the tax centre serving the life insurer's head office, on or before the due date of the insurer's T2 return.
• You will find definitions of certain expressions used in this return on the following page.
• Penalties apply if this return is not filed by the due date. Such penalties and any unpaid taxes include interest compounded daily at a prescribed rate.
• Parts and subsections referred to on this form are from the Income Tax Act.

Do not use this area

Name of life insurer (print) Business Number
Address Postal code
Taxation year for the period from Year Month Day to Year Month Day Tax services office
Name of person to contact for more information Area code Telephone number

Part XII.3 summary

Complete the following calculation using the amounts determined on the following pages of this return:

- 1. Basic investment income – from Schedule 2
2. Add: Claims fluctuation reserve adjustment – from Schedule 3
3. Subtotal (line 1 plus line 2)
4. Deduct: Adjustment for amounts reported to policyholders – from Schedule 4
5. Canadian life investment income (loss) for the year – (line 3 minus line 4) (see note below)
6. Deduct: Canadian life investment loss carryforward applied during the year – from Schedule 5
7. Taxable Canadian life investment income – (line 5 minus line 6)
Part XII.3 tax payable for the year – 15% of taxable Canadian life investment income (line 7)
Deduct: Instalments paid

Note

If you have a Canadian life investment loss for the year, no Part XII.3 tax is payable. You can carry forward this loss and apply it against Canadian life investment income in subsequent taxation years. The carryforward period for unused losses is as follows:

- 10 years for losses arising in a taxation year ending after March 22, 2004; and
• 7 years for losses arising in a taxation year ending before March 23, 2004.

Payment on filing Balance unpaid Refund Balance

In accordance with section 211.3 of the Income Tax Act, instalments on account of Part XII.3 tax are payable monthly during the taxation year. Any remainder is payable not later than two months after the end of the taxation year. Attach a cheque or money order payable to the Receiver General for Canada. Specify "T2142" on the remittance and indicate the name, Business Number, and the taxation year of the insurer whose account is to be credited.

Do not use this area

Certification

I, please print, certify that the information given in this return and in any attached documents, is to the best of my knowledge, true, correct, and complete.

Signature of authorized officer

Position or office Date

Definitions

The following definitions of expressions used in this return provide general guidance for the calculations required under the *Income Tax Act*. For precise definitions, please see the *Income Tax Act*.

- **B14013 interest rate** (i^n) used in calculating income under Part XII.3 is the moving average rate for the 60-month period before the tax year on certain Government of Canada bonds – see subsection 211(1). For corporations with December 31 year-ends, and not having a short taxation year, (i^n) has the following values: for 1988 – 11.01%; for 1989 – 10.70%; for 1990 – 10.13%; for 1991 – 10.09%; for 1992 – 10.14%; for 1993 – 9.91%; for 1994 – 9.43%; for 1995 – 9.17%; for 1996 – 8.66%; for 1997 – 8.21%; for 1998 – 7.74%; for 1999 – 7.26%; for 2000 – 6.67%; for 2001 – 6.19%; for 2002 – 5.85%; for 2003 – 5.70%; for 2004 – 5.66%. Please contact your tax services office to get the B14013 interest rate (i^n) for years not shown on this form.
- **CFRmax** represents the maximum amount that would be determined under *Regulation 1401(1)(c.1)* for the policy, if *Regulation 1401(1)* applied to all life insurance policies, and that amount were determined without reference to policy loans or reinsurance arrangements.
- **Existing guaranteed life insurance policies** (EGLIPs) are non-participating Canadian life policies, issued before January 1, 1990, where the amount and number of premiums and the amount of benefits were fixed and determined before that date.
- **Guaranteed rate of interest** (i^{gtd}) for an RRP policy refers to the rate of interest used in determining the guaranteed benefits or 4%, whichever is greater. For an FRP policy, i^{gtd} is deemed to be nil.
- **Full rate policies** (FRPs) are taxable life insurance policies other than RRP.
- **Reduced rate policies** (RRPs) are taxable life insurance policies with guaranteed benefits provided under the terms and conditions of the policies as they existed on March 2, 1988, and which have not been changed after March 2, 1988, unless to give effect to the terms and conditions that were determined before March 3, 1988.
- **Reinsurance** does not include assumption arrangements in which the assuming company takes over the position of the original insurer; they are to be treated as direct insurance of the assuming company for purposes of these calculations.
- **Taxable life insurance policies** are life insurance policies in Canada other than EGLIPs, annuity contracts, registered pension plans, registered life insurance policies, or retirement compensation arrangements.

Schedule 1

Maximum reserves determined for Part XII.3 tax purposes Reconciliation of reserves for investment income tax (IIT)

	Individual	Group
Maximum reserve determined under 1401(1)(a), (c) or (d) for the current year:		
1. Canadian life insurance policies (ignore policy loans and accrued interest)	_____	_____
2. Add: Reinsurance ceded on all life policies	_____	_____
3. Subtotal (line 1 plus line 2)	_____	_____
4. Deduct: Reinsurance assumed on all life policies	_____	_____
5. Direct written – Canadian life insurance policies (line 3 minus line 4)	_____	_____
Deduct: Non-taxable policies (ignore reinsurance, policy loans, and accrued interest):		
6. Annuity contracts	_____	_____
7. Registered life insurance policies	_____	_____
8. Retirement compensation arrangements	_____	_____
9. Existing guaranteed life insurance policies	_____	_____
10. Total of above deductions (lines 6 to 9)	_____	_____
11. Policies subject to IIT (line 5 minus line 10)	_____	_____
12. Deduct: Maximum determined under 1401(1)(d)(ii) re: disabled life reserves that are included in line 11 (ignore reinsurance policy loans and accrued interest)	_____	_____
13. Taxable policies current year (line 11 minus line 12)	_____	_____
14. Taxable policies preceding year (see note)	_____	_____
15. Mean taxable policies (average of lines 13 and 14)	_____	_____
16. Mean maximum determined reserves subject to IIT (total of amounts on line 15)	_____	_____
		(to be allocated in column 3 of Schedule 2)

Notes

1. On line 14, enter the amount that would have been determined in the preceding year for all taxable policies at the end of the current year.
2. All amounts in this schedule are to be calculated for each policy separately, and then aggregated before entering the figures above.

Schedule 2

**Calculation of Canadian life investment income
Basic investment income – Amount A in subsection 211.1(3)
(see note 1)**

	1	2	3	4	5
	Prior year's maximum reserve (see note 3)	Current year's maximum reserve	Mean maximum reserve [col.1 + col. 2] ÷ 2	i ⁿ _____ % less i ^{gtd} – no negative values	col. 3 x col. 4
I. Reduced rate policies:					
i ^{gtd} = 4.0%	_____	_____	_____	_____	_____
i ^{gtd} = _____	_____	_____	_____	_____	_____
i ^{gtd} = _____	_____	_____	_____	_____	_____
i ^{gtd} = _____	_____	_____	_____	_____	_____
i ^{gtd} = _____	_____	_____	_____	_____	_____
i ^{gtd} = _____	_____	_____	_____	_____	_____
i ^{gtd} = _____	_____	_____	_____	_____	_____
i ^{gtd} = _____	_____	_____	_____	_____	_____
i ^{gtd} = _____	_____	_____	_____	_____	_____
i ^{gtd} = _____	_____	_____	_____	_____	_____
Total of column 5					_____ X
II. Full rate policies					_____ Y
III. Calculation of amount A – add:					
Amount A for RRP's			.65 x _____	X = _____	_____
Amount A for FRP's			.55 x _____	Y = _____	_____
Total amount A in subsection 211.1(3)					_____ Z
		or			(enter on page 1)

Where the taxation year of the corporation is less than 51 weeks, the amount on line Z is prorated as follows:

Amount Z x $\frac{\text{number of days in the taxation year (see note 4)}}{365}$ (enter on page 1)

Notes

- Total of column 3 for RRP's and FRP's must equal amount on line 16 of Schedule 1.
- If you need more space, attach a separate sheet and give similar details.
- For prior-year values, follow instructions given in the note on Schedule 1.
- The number of days in the taxation year does not include February 29.
- All amounts in this schedule are to be calculated for each policy separately, and then aggregated before entering the figures above.

Schedule 3

**Calculation of Canadian life investment income
Claims fluctuation reserve adjustment – Amount B in subsection 211.1(3)**

Amount D:

1. CFRmax – current year	_____
2. CFRmax – prior year	_____
3. Mean CFRmax – current and prior year (average of lines 1 and 2)	_____
4. B14013 interest rate (i ⁿ)	_____
5. Amount D (multiply line 3 by line 4)	_____
or	
Where the taxation year of the corporation is less than 51 weeks, the amount on line 5 is prorated as follows:	
6. Amount D (amount from line 5) x $\frac{\text{number of days in the taxation year (see note 2 below)}}{365}$	_____
Amount E:	
7. Aggregate of Amount D – 1990 to current year	_____
Deduct:	
8. Aggregate of Amount E – 1990 to year prior to current year	_____
9. Current CFRmax minus 1989 CFRmax (if negative, enter "0")	_____
10. Total deductions	_____
11. Amount E (line 7 minus line 10 – if negative, enter "0")	_____
12. Amount B in subsection 211.1(3) (line 5 or line 6 minus line 11)	_____

(enter on page 1)

Notes

- All amounts in this schedule are to be calculated for each policy separately, and then aggregated before entering the figures above.
- The number of days in the taxation year does not include February 29.

