



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	
Tax 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

Balance _____

Refund Balance unpaid

_____ Payment on filing

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 tax years. The carry-forward period for unused losses is as follows:

- 20 years for losses arising in a tax year ending after December 31, 2005;
- 10 years for losses arising in a tax year ending after March 22, 2004, and before January 1, 2006; and
- 7 years for losses arising in a tax year ending before March 23, 2004.

In accordance with section 211.3 of the *Income Tax Act*, instalments on account of Part XII.3 tax are payable monthly during the tax year. Any remainder is payable on or before the corporation's balance due date for the tax 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 tax year of the insurer whose account is to be credited.

Certification

I, _____, 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

Do not use this area

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 tax year, (i^n) has the following values: for 2002 – 5.85%; for 2003 – 5.70%; for 2004 – 5.66%; for 2005 – 5.54%; for 2006 – 5.24%. 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 insurance 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)**

Maximum reserve for the current year determined under Regulation 1401(1)(a), (c), or (d) of the *Income Tax Regulations*:

	Individual	Group
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 (EGLIPs)		
10. Total of above deductions (lines 6 to 9)		
11. Policies subject to IIT (line 5 minus line 10)		
12. Deduct: Maximum determined under Regulation 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} minus i^{gtd} (if negative, enter "0")	Column 3 times column 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}	_____	_____	_____	_____	_____
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					
Amount A for RRP's	_____	_____	.65 x _____	X = _____	_____
Add: Amount A for FRP's	_____	_____	.55 x _____	Y = _____	_____ Z
Total amount A in subsection 211.1(3)	_____	_____	_____	_____	_____ (enter on page 1)
	or				
Where the tax year of the corporation is less than 51 weeks, the amount on line Z is prorated as follows:					
Amount Z x _____	number of days in the tax year (see note 4)				_____ (enter on page 1)
	365				

- 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 tax 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)**

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 tax 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 _____	_____
	365
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 tax year does not include February 29.

Schedule 4

**Calculation of Canadian life investment income
Adjustment for amounts reported to policyholders
Amount C in subsection 211.1(3)**

	1 Accrued income 12.2	2 Policy proceeds 56(1)(j)	3 Total (1) + (2)	4 Relevant percentage	5 Amount C (3) x (4)
I. Full rate policies				100%	
II. Reduced rate policies				*	
III. Former EGLIPs not included above which are now taxable: Number of tax years or part years that policy has been taxable:					
1				0%	nil
2				0%	nil
3				0%	nil
4				5%	
5				10%	
6				15%	
7				20%	
8				25%	
9				30%	
10				35%	
11				40%	
12				45%	
13 or more				50%	
IV. Total amount C in subsection 211.1(3)					
* Relevant percentage for reduced rate policies:					(enter on page 1)
1990 – 0% 1992 – 10% 1994 – 20% 1996 – 30% 1998 – 40% 2000 and after – 50%					
1991 – 5% 1993 – 15% 1995 – 25% 1997 – 35% 1999 – 45%					

- Notes**
- The amounts reported in columns (1) and (2) should be the amounts that would be included in the income of a policyholder for the calendar year ending in the tax year.
 - All amounts in this schedule are to be calculated for each policy separately, and then aggregated before entering the figures above.

Schedule 5

**Canadian life investment loss carryforward schedule
under subsection 211.1(2)**

The carry-forward period for unused losses is as follows:

- 20 years for losses arising in a tax year ending after December 31, 2005;
- 10 years for losses arising in a tax year ending after March 22, 2004, and before January 1, 2006; and
- 7 years for losses arising in a tax year ending before March 23, 2004.

	Canadian life investment loss carryforward start of year	Add: loss from current year	Deduct: loss carryforward utilized in the year	Loss carryforward available for subsequent years
YYYY MM DD				
Totals				

(enter on page 1)