Agence du revenu du Canada

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

TAX ON INVESTMENT INCOME OF LIFE INSURERS	
• For use by life insurers to calculate the Part XII.3 tax on taxable Canadian life investment income for the year.	Do not use this area
• Complete and file two copies of this return, separately from any other return, to the Tax Centre serving the life insurer's head office, on or before the due date of the insurer's T2 Corporation Income Tax Return.	
• Terms used in this return are explained 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, sections, subsections and paragraphs referred to on this return are from the federal <i>Income Tax Act</i> .	
<ul> <li>All amounts in the attached schedules 1 to 4 are to be calculated for each policy separately, and then totalled before entering the figures.</li> </ul>	
Name of life insurer	Business Number
Address	Postal code
Tax year for the period Year Month Day Year Month Day Tax services o	ffice
Name of person to contact for more information  Area code	Telephone number
D. I. Will Co.	I
Part XII.3 summary	
Complete the following calculation using the amounts determined on the following pages of this return:	
Basic investment income – amount A from Schedule 2	
Add: Claims fluctuation reserve adjustment – amount B from Schedule 3	line 1 <b>plus</b> line 2) 3
Deduct: Adjustment for amounts reported to policyholders – amount C from Schedule 4	
Canadian life investment income (loss) for the year (line 3 minus line 4) (see note)	
<b>Deduct</b> : Canadian life investment loss carryforward applied during the year – from Schedule 5	-
Taxable Canadian life investment income (line 5 minus line 6)	7
Part XII.3 tax payable for the year – 15% of taxable Canadian life investment income (line 7)	
Deduct: Instalments paid	·····
If the result is negative, you have an <b>overpayment</b> . If the result is positive, you have a <b>balance unpaid</b> . Generally, we do not charge or refund a difference of \$2 or less.	Balance
Tick the box that applies: Overpayment Balance unpaid	Enclosed payment
	Eliciosed payment
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 investment income in later tax years. The carry-forward periods for unused losses are given in Schedule 5 on page	s and apply it against Canadian life 4.
L	
According to section 211.3 of the Act, instalments on account of Part XII.3 tax are payable monthly during the tax ye the corporation's balance due date for the tax year. Attach a cheque or money order payable to the Receiver Gener remittance and indicate the name, Business Number, and the tax year of the insurer whose account is to be credite	al for Canada. Specify "T2142" on the
Certification —	
Certification	Do not use this area
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.	



Position or office

Date

Signature of authorized officer

## Terms

- Schedule 1 —

The following terms used in this return provide general guidance for the calculations required under the Act. For precise requirements, please see section 211 of the Act.

- V122487 interest rate (i<sup>n</sup>) 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<sup>n</sup>) has the following values: 5.54% for 2005; 5.24% for 2006; 4.94% for 2007; 4.68% for 2008; and 4.43% for 2009. For years not shown on this form, please contact your tax services office to get the V122487 interest rate (i<sup>n</sup>).
- 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, if the amount and number of premiums and the amount of benefits were fixed and determined before that date.
- Guaranteed rate of interest (i<sup>gta</sup>) 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<sup>gta</sup>) is deemed to be nil.
- Full rate policies (FRPs) are taxable life insurance policies other than RRPs.
- 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 arrangements do 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, and retirement compensation arrangements.

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

## Note

On line 14, enter the amount that was reported on line 13 of Schedule 1 for the preceding year.

		vestment income – amount A in subsec			
Reduced rate policies:	1 Previous year's maximum reserve (see note 3)	2 Current year's maximum reserve (see note 4)	3 Mean maximum reserve (col.1 + col. 2) ÷ 2	4 i <sup>n</sup> <b>minus</b> i <sup>gtd</sup> (if negative, enter "0")	5 Column 3 X column 4
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la <sub>10</sub>	-				-
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•				Total	
Add: Amount A for FRPs Total amount A in subsect					
		or			(enter on line 1 of page
If the tax year of the corpora	tion is less than 51 weeks,	the amount on line 3 is pr	orated as follows:		
Line 3 × number of days	in the tax year (see note 5	)			
	365				(enter on line 1 of page
otes		. "			
Total of column 3 for RRPs	•		dule 1.		
If you need more space, atta	-				
For previous-year values, for	-				
<ul><li>For current-year values, allo</li><li>The number of days in the ta</li></ul>					
The number of days in the ta	ax year does not include re	29.			
- Schedule 3					
Ca	anadian life investm				
	Calculati	on of amount B in s	ubsection 211.1(3	)	
alculation of amount D:					
CFRmax – current year					
CFRmax – previous year					
Mean CFRmax – current and	· · · · · · · · · · · · · · · · · · ·				-
V122487 interest rate (i <sup>n</sup> )					

Canadian life investment income – Claims fluctuat	•	tment	
Calculation of amount B in subsection	on 211.1(3)		
Calculation of amount D:			1
CFRmax – current year			_
CFRmax – previous year			
Mean CFRmax – current and previous year (average of lines 1 and 2)		····· <u>———</u>	3
V122487 interest rate (i <sup>n</sup> )		· · · · · · · · · · · · · · · · · · ·	4
Amount D (multiply line 3 by line 4)		<u></u>	5
or			
If the tax year of the corporation is less than 51 weeks, the amount on line 5 is prorated as for	ollows:		
Amount D (amount from line 5) × number of days in the tax year (see note)			6
305			
Calculation of amount E:		7	
Total of amount D – 1990 to current year	· · · · · · · · · · · · · · · · · · ·	/	
Deduct:			
Total of amount E – 1990 to year prior to current year	8		
Current CFRmax minus 1989 CFRmax (if negative, enter "0")	9		
Total deductions	<b>&gt;</b>	10	
Amount E (line 7 minus line 10 – if negative, enter "0")	<u>——</u>	<b>&gt;</b>	11
Total amount B in subsection 211.1(3) (line 5 or line 6 minus line 11)			12

Accrued income   Section 12.2   Policy proceeds   Policy proceeds   Policy proceeds   Total   Total 20   Policy proceeds   Policy proceeds   Total   Total 20   Policy proceeds   Policy proceeds   Total   Policy proceeds   Policy proceeds   Total   Policy proceeds   Policy proceed	Canadian life	e investment income – Calculation of a	Adjustment for an mount C in subse		o policyholde	ers
II. Reduced rate policies		Accrued income	Policy proceeds	Total	Relevant	Amount C
III. Former EGLIPs not included above, which are now taxable:    Number of tax years or part years policy has been taxable:    Number of tax years or part years policy has been taxable:   1	I. Full rate policies				100%	
III. Former EGLIPs not included above, which are now taxable:    Number of tax years or part years policy has been taxable:   1					50%	
Number of tax years or part years policy has been taxable:  1						
1	Number of tax years or part years					
2 0% nil 3 0% nil 4 5% 5 10% 6 10% 7 20% 8 20% 9 30% 10 35% 11 40% 11 40% 11 40% 11 40% 11 40% 11 40% 12 45% 13 or more 50% 10 40% 12 45% 13 or more 50%  IV. Total amount C in subsection 211.1(3)  Canadian life investment loss carry-forward schedule under subsection 211.1(2)  The carry-forward period for unused losses is as follows: 2 0 years for losses in a tax year ending after December 31, 2005; 2 1 years for losses in a tax year ending after March 22, 2004, and before January 1, 2006; and 2 7 years for losses in a tax year ending after March 22, 2004, and before January 1, 2006; and 3 5% 4 10 40% 4 5% 5 50% 6 10 90% 6 7 10 90% 6 1					0%	nil
4					0%	nil
5	3					nil
6	4					
7	5					
8	6					
9 30% 10 35% 11 40% 12 45% 13 or more 50%  IV. Total amount C in subsection 211.1(3)  Schedule 5  Canadian life investment loss carry-forward schedule under subsection 211.1(2)  The carry-forward period for unused losses is as follows: • 20 years for losses in a tax year ending after December 31, 2005; • 10 years for losses in a tax year ending after March 22, 2004, and before January 1, 2006; and • 7 years for losses in a tax year ending after March 23, 2004.  Canadian life investment loss carryforward loss from Deduct: loss carryforward available for						
10						
11						
12						_
IV. Total amount C in subsection 211.1(3)  Note  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.  Schedule 5  Canadian life investment loss carry-forward schedule under subsection 211.1(2)  The carry-forward period for unused losses is as follows:  20 years for losses in a tax year ending after December 31, 2005;  10 years for losses in a tax year ending after March 22, 2004, and before January 1, 2006; and  7 years for losses in a tax year ending before March 23, 2004.  Canadian life investment loss carryforward loss from loss carryforward available for					45%	
Note 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.  Schedule 5  Canadian life investment loss carry-forward schedule under subsection 211.1(2)  The carry-forward period for unused losses is as follows:  • 20 years for losses in a tax year ending after December 31, 2005;  • 10 years for losses in a tax year ending after March 22, 2004, and before January 1, 2006; and  • 7 years for losses in a tax year ending before March 23, 2004.  Canadian life investment loss carryforward loss from Deduct: Loss carryforward available for					50%	
Canadian life investment loss carry-forward schedule under subsection 211.1(2)  The carry-forward period for unused losses is as follows:  • 20 years for losses in a tax year ending after December 31, 2005;  • 10 years for losses in a tax year ending after March 22, 2004, and before January 1, 2006; and  • 7 years for losses in a tax year ending before March 23, 2004.  Canadian life investment loss carryforward loss from Deduct: loss carryforward available for	tux your.					
<ul> <li>20 years for losses in a tax year ending after December 31, 2005;</li> <li>10 years for losses in a tax year ending after March 22, 2004, and before January 1, 2006; and</li> <li>7 years for losses in a tax year ending before March 23, 2004.</li> </ul> Canadian life investment loss carryforward <ul> <li>Add: loss carryforward loss carryforward</li> <li>Loss carryforward available for</li> </ul>		life investment loss ca	arry-forward sched	lule under subsec	tion 211.1(2)	
loss carryforward loss from loss carryforward available for	<ul><li>20 years for losses in a tax year end</li><li>10 years for losses in a tax year end</li></ul>	ding after December 31, 2005; ding after March 22, 2004, and		; and		
Start of the year   Current year   Used in the year   later years		loss carryforward	loss from	loss carryforv	vard	available for
		start of the year	current year	used in the y	edi	ialer years
		-				
				_		_
				_		
				_		
Total (enter on line 6 of page 1)						

- Schedule 4 –