

Terms

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** (*iⁿ*) 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, (*iⁿ*) 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 (*iⁿ*).
- **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^{grd}*) 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^{grd}*) 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** 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.

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 <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	_____	_____	2
Subtotal (line 1 plus line 2)	_____	_____	3
Deduct: Reinsurance assumed on all life policies	_____	_____	4
Direct written – Canadian life insurance policies (line 3 minus line 4)	=====	=====	5
Deduct: Non-taxable policies (ignore reinsurance, policy loans, and accrued interest):			
Annuity contracts	_____	_____	6
Registered life insurance policies	_____	_____	7
Retirement compensation arrangements	_____	_____	8
Existing guaranteed life insurance policies	_____	_____	9
Total of above deductions (lines 6 to 9)	=====	=====	10
Policies subject to IIT (line 5 minus line 10)	_____	_____	11
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)	_____	_____	12
Taxable policies current year (line 11 minus line 12)	=====	=====	13
Taxable policies preceding year (see note)	=====	=====	14
Mean taxable policies (average of lines 13 and 14)	=====	=====	15
Mean maximum determined reserves subject to IIT (total of amounts on line 15)	=====	=====	16
		(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.

Schedule 4

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

	1 Accrued income section 12.2	2 Policy proceeds paragraph 56(1)(j)	3 Total (col. 1 + col. 2)	4 Relevant percentage	5 Amount C (col. 3 × col. 4)
I. Full rate policies				100%	
II. Reduced rate policies				50%	
III. Former EGLIPs not included above, which are now taxable:					
Number of tax years or part years 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)					_____

(enter on line 4 of page 1)

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.

YYYY	MM	DD	Canadian life investment loss carryforward start of the year	Add: loss from current year	Deduct: loss carryforward used in the year	Loss carryforward available for later years
Total						

(enter on line 6 of page 1)