



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.
Two copies of the completed return are to be filed by the life insurer, separately from any other return at the tax centre serving its head office, on or before the due date of its T2 return.
Definitions of certain expressions used in this return are found on the following page.
The appropriate adjustments should be noted if this return is used to calculate Part XII.3 tax for taxation years 1988 and 1989.
Penalties are applicable if this return is not filed by the due date. Such penalties and any unpaid taxes bear 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:

Table with 7 rows for calculation: 1. Basic investment income, 2. Add: Claims fluctuation reserve adjustment, 3. Subtotal, 4. Deduct: Adjustment in respect of amounts reported to policyholders, 5. Canadian life investment income (loss) for the year, 6. Deduct: Canadian life investment loss carryforward, 7. Taxable Canadian life investment income. Includes Part XII.3 tax payable and Instalments paid.

Note: If you have a Canadian life investment loss for the year, no Part XII.3 tax is payable. This loss can be carried forward up to seven taxation years and applied against Canadian life investment income.

Payment on filing Balance unpaid Refund Balance

Instalments on account of Part XII.3 tax are payable quarterly during the taxation year. For taxation years that begin after 1995, 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. 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 hereby certify that the information given in this return and any other documents attached, is true, correct and complete in every respect.

Signature of authorized officer
Position or office Date

Definitions

The following expressions used in this return are defined to provide general guidance for the calculations required under the *Income Tax Act*. Please consult the *Income Tax Act* for precise meanings.

- "B14013 interest rate" or "iⁿ" used in calculating income under Part XII.3 is the moving average rate for the 60 months prior to the tax year on certain Government of Canada bonds - refer to subsection 211(1). For corporations with December 31 year ends, and not having a short taxation year, "iⁿ" 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%. The B14013 interest rate or "iⁿ" for years not shown on this form can be obtained by contacting your tax services office.
- "CFRmax" represents the maximum amount that would be deductible under *Regulation* 1401(1)(c.1) in respect of the policy, if that amount were determined without reference to policy loans or reinsurance arrangements.
- "Existing guaranteed life insurance policies" or "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" or "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" or "FRPs" are "taxable life insurance policies" other than RRP.
- "Reduced rate policies" or "RRPs" are "taxable life insurance policies" with guaranteed benefits, issued on or before March 3, 1988, where the terms relating to premiums and benefits were fixed on that date.
- "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 deductible reserves for Part XII.3 tax purposes
Reconciliation of reserves for Investment Income Tax (IIT)**

Maximum reserve deductible under 1401(1)(a), (c) or (d) for the current year:	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 and policy loans):		
6. Annuity contracts		
7. Registered life insurance policies		
8. Retirement compensation arrangements		
9. Existing guaranteed life policies (EGLIPs)		
10. Total of above deductions (lines 6 to 9)		
11. Policies subject to IIT (line 5 minus line 10).		
12. Deduct: Maximum deductible under 1401(1)(d)(ii) re: disabled life reserves that are included in line 11 (ignore reinsurance and policy loans)		
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 deductible reserves subject to IIT (total of amounts on line 15)		

(to be allocated in column 3 of Schedule 2)

Note: 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.

Schedule 4

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

	(1)	(2)	(3)	(4)	(5)
	Accrued income 12.2	Policy proceeds 56(1)(j)	Total (1) + (2)	Relevant percentage	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 taxation years or part years that policy has been taxable:					
One	_____	_____	_____	0%	nil
Two	_____	_____	_____	0%	nil
Three	_____	_____	_____	0%	nil
Four	_____	_____	_____	5%	_____
Five	_____	_____	_____	10%	_____
Six	_____	_____	_____	15%	_____
Seven	_____	_____	_____	20%	_____
Eight	_____	_____	_____	25%	_____
Nine	_____	_____	_____	30%	_____
Ten	_____	_____	_____	35%	_____
Eleven	_____	_____	_____	40%	_____
Twelve	_____	_____	_____	45%	_____
Thirteen or more	_____	_____	_____	50%	_____
IV. Total amount C in subsection 211.1(3)					_____

(enter on page 1)

* Relevant Percentage for reduced rate policies:
 1990 - 0% 1992 - 10% 1994 - 20% 1996 - 30% 1998 - 40% 2000 & after - 50%
 1991 - 5% 1993 - 15% 1995 - 25% 1997 - 35% 1999 - 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 year if all years were calendar years.

Schedule 5

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

	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
199_	_____	_____	_____	_____
199_	_____	_____	_____	_____
199_	_____	_____	_____	_____
199_	_____	_____	_____	_____
199_	_____	_____	_____	_____
199_	_____	_____	_____	_____
199_	_____	_____	_____	_____
Totals	_____	_____	_____	_____

(enter on page 1)