



## Taxable Capital Employed in Canada – Financial Institutions (2014 and later tax years)

Corporation's name	Business number	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">Tax year-end</td> </tr> <tr> <td style="text-align: center; border-bottom: 1px solid black;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center; border-bottom: 1px solid black;">Year</td> <td style="width: 33%; text-align: center; border-bottom: 1px solid black;">Month</td> <td style="width: 33%; text-align: center; border-bottom: 1px solid black;">Day</td> </tr> </table> </td> </tr> </table>	Tax year-end	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center; border-bottom: 1px solid black;">Year</td> <td style="width: 33%; text-align: center; border-bottom: 1px solid black;">Month</td> <td style="width: 33%; text-align: center; border-bottom: 1px solid black;">Day</td> </tr> </table>	Year	Month	Day
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- Use this schedule to determine if the total taxable capital employed in Canada of the corporation (a financial institution other than an insurance corporation) and its related corporations is greater than \$10,000,000. Insurance corporations must complete schedule 35.
- If the total taxable capital employed in Canada of the financial institution and its related corporations is greater than \$10,000,000, file a completed Schedule 34 with your T2 *Corporation Income Tax Return* no later than six months from the end of the tax year.
- Unless otherwise noted, all legislative references are to the *Income Tax Act* and the *Income Tax Regulations*.
- Subsection 181(1) defines the terms **financial institution**, **long-term debt**, and **reserves**.
- Subsection 248(1) defines the terms **authorized foreign bank** and **Canadian banking business**.
- Subsection 181(3) provides the basis to determine the carrying value of a corporation's assets or any other amount under Part I.3 for its capital, investment allowance, taxable capital, or taxable capital employed in Canada, or for a partnership in which it has an interest.
- Regulation 8600 defines the terms **Canadian assets** and **total assets**.

### Part 1 – Capital

#### To be completed by a financial institution other than an authorized foreign bank

Reserves that were not deducted in computing income under Part I for the year	<b>201</b>		
<b>Add</b> the following amounts at the end of the year:			
Long-term debt	<b>202</b>		
Capital stock (or members' contributions if incorporated without share capital)	<b>203</b>		
Retained earnings	<b>204</b>		
Contributed surplus	<b>205</b>		
Any other surpluses	<b>206</b>		
Subtotal (add lines 201 to 206)			▶ <u>                    </u> A
<b>Deduct</b> the following amounts:			
Deferred tax debit balance at the end of the year	<b>221</b>		
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for redeeming preferred shares) at the end of the year	<b>222</b>		
Any amount deducted under subsection 130.1(1) or 137(2) in computing income under Part I for the year, as long as the amount may reasonably be regarded as being included in any of the amounts determined at lines 201 to 206	<b>223</b>		
Subtotal (add lines 221 to 223)			▶ <u>                    </u> B
<b>Capital for the year</b> (amount A minus amount B) (if negative, enter "0")	<b>290</b>		

#### To be completed by an authorized foreign bank

<b>Add</b> the following amounts at the end of the year for the Canadian banking business:			
10% of the bank's risk-weighted assets and exposures according to Office of the Superintendent of Financial Institutions (OSFI) risk-weighting guidelines, computed as if those guidelines applied	<b>301</b>		
All amounts that are not for a loss-protection facility respecting asset securitization and that the bank would deduct from its capital under OSFI risk-based capital adequacy guidelines if it was listed in Schedule II to the <i>Bank Act</i>	<b>302</b>		
<b>Capital for the year</b> (line 301 plus line 302)	<b>390</b>		

**Part 2 – Investment allowance**

To be completed by a financial institution that was resident in Canada at any time in the year or by an authorized foreign bank (see note 4 below)

Add the carrying value at the end of the year of the following eligible investments of the financial institution:

All shares of the capital stock of related financial institutions .....	<b>401</b>	_____
All long-term debts of related financial institutions .....	<b>404</b>	_____
<b>Investment allowance for the year</b> (line 401 plus line 404) .....	<b>490</b>	=====

In any other case, the investment allowance is nil.

**Notes:**

- 1) A share of the capital stock or long-term debt of another financial institution that is exempt from Part I.3 tax is to be excluded from the carrying value of any eligible investment determined above.
- 2) Where a credit union is a shareholder or member of another credit union, the two credit unions shall be deemed to be related to each other.
- 3) The eligible investments of the corporation should include only those of related financial institutions that are resident in Canada or are using the proceeds of the share or debt in a business carried on by the related financial institution through a permanent establishment in Canada.
- 4) In the case of an authorized foreign bank, its eligible investments should be the amount before the application of risk weights that would be reported under OSFI risk-weighting guidelines. The investments should include only those used or held by the corporation in the year in the course of carrying on its Canadian banking business.

**Part 3 – Taxable capital**

Capital for the year (amount from line 290 or 390 on page 1, whichever applies) .....	_____	C
<b>Deduct:</b> Investment allowance for the year (line 490) .....	_____	D
<b>Taxable capital for the year</b> (amount C minus amount D) (if negative, enter "0") .....	<b>500</b>	=====

**Part 4 – Taxable capital employed in Canada**

The total of all amounts each of which is the carrying value at the end of the year of an asset of the financial institution (other than property held by the institution primarily for the purpose of resale that was acquired by the financial institution, in the year or the preceding year, as a result of another person's default or anticipated default on a debt owed to the institution) that is tangible, or for civil law corporeal, property used in Canada .....

.....	<b>511</b>	_____
<b>Add:</b>		
Where the financial institution has an interest in a partnership at the end of the year, its proportionate share of the total of all amounts, each of which is the carrying value of an asset of the partnership, that is tangible, or for civil law corporeal, property used in Canada .....	<b>512</b>	_____

Taxable capital for the year (line 500) _____	×	$\frac{\text{Canadian assets at year end}}{\text{Total assets at year end}}$	=	<b>650</b>	_____
		<b>611</b>		<b>612</b>	

**Taxable capital employed in Canada** .....

**690** \_\_\_\_\_

**Part 5 – Calculation for purposes of the small business deduction**

This part is applicable to corporations that are not associated in the current year, but were associated in the prior year.

Taxable capital employed in Canada (line 690) .....	_____	E
<b>Deduct:</b> .....	\$10,000,000	F
Excess (amount E minus amount F) (if negative, enter "0") .....	=====	G
<b>Calculation for purposes of the small business deduction</b> (amount G x 0.00225) .....	=====	H

Enter this amount at line 415 of the T2 return.