

**Taxable Capital Employed in Canada – Large Insurance Corporations  
(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;">Year</td> <td style="text-align: center; border-bottom: 1px solid black;">Tax year-end Month</td> <td style="text-align: center; border-bottom: 1px solid black;">Day</td> </tr> <tr> <td style="border-bottom: 1px solid black; width: 33.33%;"></td> <td style="border-bottom: 1px solid black; width: 33.33%;"></td> <td style="border-bottom: 1px solid black; width: 33.33%;"></td> </tr> </table>	Year	Tax year-end Month	Day			
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- Use this schedule to determine if the total taxable capital employed in Canada of the insurance corporation and its related corporations is greater than \$10,000,000.
- If the total taxable capital employed in Canada of the insurance corporation and its related corporations is greater than \$10,000,000, file a completed Schedule 35 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 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.

**Part 1– Capital**

**To be completed by an insurance corporation that was resident in Canada at any time in the year and carried on a life insurance business at any time in the year**

Add the following amounts at the end of the year:

Long-term debt .....	<b>102</b>	
Capital stock (or members' contributions if an insurance corporation incorporated without share capital) .....	<b>103</b>	
Retained earnings .....	<b>104</b>	
Contributed surplus .....	<b>105</b>	
Any other surpluses .....	<b>106</b>	

Subtotal (add lines 102 to 106) ▶                      **A**

Deduct the following amounts:

Deferred tax debit balance at the end of the year .....	<b>121</b>	
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year .....	<b>122</b>	

Subtotal (line 121 plus line 122) ▶                      **B**

**Capital for the year** (amount A minus amount B) (if negative, enter "0") **190**                     

**To be completed by an insurance corporation that was resident in Canada at any time in the year and throughout the year did not carry on a life insurance business**

Reserves that were not deducted in computing income under Part I for the year\* .....

**201**                     

Add the following amounts at the end of the year:

Long-term debt .....	<b>202</b>	
Capital stock (or members' contributions if an insurance corporation 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) ▶                      **C**

Deduct 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 the redemption of preferred shares) at the end of the year .....	<b>222</b>	
The total amount of its deferred acquisition expenses for its property and casualty insurance business in Canada, as long as it can reasonably be attributed to an amount included in the amount determined at line 201 above .....	<b>223</b>	

Subtotal (add lines 221 to 223) ▶                      **D**

**Capital for the year** (amount C minus amount D) (if negative, enter "0") **290**                     

\* The amount at line 201 should be net of any amount recoverable through reinsurance, according to subparagraph 181.3(3)(c)(vii).

**Part 1 – Capital (continued)**

To be completed by an insurance corporation that was a non-resident of Canada throughout the year and carried on an insurance business in Canada at any time in the year

Surplus funds from operations, as adjusted\* ..... **301** \_\_\_\_\_

The corporation's attributed surplus for the year ..... **302** \_\_\_\_\_

Line 301 or 302, whichever is greater ..... \_\_\_\_\_ **E**

Any other surpluses relating to insurance businesses carried on in Canada ..... **303** \_\_\_\_\_

Long-term debt that may reasonably be regarded as relating to insurance businesses carried on in Canada ..... **304** \_\_\_\_\_

Subtotal (amount E plus line 303 plus line 304) ..... **F**

**Add** the amount by which:

Reserves for the year (other than reserves for amounts payable out of segregated funds) that may reasonably be regarded as having been established for insurance businesses carried on in Canada\*\* ..... **331** \_\_\_\_\_

**Exceed** the total of the following amounts:

Amounts included at line 331 above [other than a reserve described in subparagraph 138(3)(a)(i)] and deducted in computing income under Part I for the year ..... **341** \_\_\_\_\_

Amounts included at line 331 above and deductible under subparagraph 138(3)(a)(i) in computing income under Part I for the year ..... **342** \_\_\_\_\_

Amounts deducted in computing line 342 above that were outstanding (including any accrued interest) as at the end of the year for a policy loan [within the meaning of subsection 138 (12)] made by the corporation ..... **343** \_\_\_\_\_

Deferred acquisition expenses for its property and casualty insurance business in Canada, as long as it can reasonably be attributed to an amount included at line 331 above ..... **344** \_\_\_\_\_

Total deductions (add lines 341 to 344) ..... **G**

Difference (line 331 minus amount G) (if negative, enter "0") ..... **H**

**Capital for the year** (amount F plus amount H) ..... **390** \_\_\_\_\_

\* The amount, if any, by which the corporation's surplus funds derived from operations [as defined in subsection 138(12)] at the end of the year, computed as if no tax were payable under Part I.3 or Part VI for the year, exceeds the total of all amounts, each of which is:

- i) an amount on which it was required to pay, or would but for subsection 219(5.2) have been required to pay, tax under Part XIV for a preceding tax year, except the portion, if any, of the amount on which tax was payable, or would have been payable, because of subparagraph 219(4)(a)(i.1); and
- ii) an amount on which it was required to pay, or would but for subsection 219(5.2) have been required to pay, tax under subsection 219(5.1) for the year because of the transfer of an insurance business to which subsection 138(11.5) or (11.92) has applied.

\*\* The amount at line 331 should be net of any amount recoverable through reinsurance, according to clause 181.3(3)(d)(iv)(F).

**Part 2 – Investment allowance**

**Add** the carrying value at the end of the year of the following eligible investments of the insurance corporation that are non-segregated property within the meaning assigned by subsection 138(12):

All shares of the capital stock of related financial institutions ..... **401** \_\_\_\_\_

All long-term debts of related financial institutions ..... **404** \_\_\_\_\_

**Investment allowance for the year** ..... **490** \_\_\_\_\_

**Notes**

- 1) A share of the capital stock or long-term debt of another financial institution (including another insurance corporation) that is exempt from Part I.3 tax is to be excluded from the value of any eligible investment determined above.
- 2) The eligible investments of the insurance 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.
- 3) In the case of an insurance corporation that was a non-resident of Canada throughout the year, its eligible investments should include only those used or held by the corporation in the year in the course of carrying on an insurance business in Canada.

**Part 3 – Taxable capital**

Capital for the year (line 190, 290, or 390, whichever applies) ..... **I**

**Deduct:** Investment allowance for the year (line 490) ..... **J**

**Taxable capital for the year** (amount I minus amount J) (if negative, enter "0") ..... **500** \_\_\_\_\_

**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 (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 tax year as a consequence of another person's default, or anticipated default, for a debt owed to the institution) that is tangible, or for civil law corporeal, property used in Canada and that is non-segregated property within the meaning assigned by subsection 138(12) ..... **511** \_\_\_\_\_

**Add:**  
Where the insurance corporation has an interest in a partnership at the end of the year, its proportion 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. This proportion is based on the financial institution's share of the partnership's income or loss for that period ..... **512** \_\_\_\_\_

Subtotal (line 511 plus line 512) \_\_\_\_\_ **K**

**To be completed by an insurance corporation that was resident in Canada at any time in the year and carried on a life insurance business at any time in the year**

Taxable capital for the year (from line 500) ..... \_\_\_\_\_  
**Add:** Total of amounts described in subclause 181.3(1)(c)(ii)(A)(II) (amount V, page 4) ..... **521** \_\_\_\_\_  
 Subtotal (line 500 plus line 521) \_\_\_\_\_ **L**  
**Deduct:** Total of amounts described in subclause 181.3(1)(c)(ii)(A)(III) (amount W, page 4) ..... **525** \_\_\_\_\_  
 Total (amount L plus line 525) \_\_\_\_\_ **M**  
 Canadian reserve liabilities at year-end ..... **522** \_\_\_\_\_ **N**  
 Total reserve liabilities at year-end ..... **523** \_\_\_\_\_ **O**  
 Total of amounts described in subclause 181.3(1)(c)(ii)(A)(V) (amount X, page 4) ..... **524** \_\_\_\_\_ **P**  
 Proportion of capital over reserve liabilities = (M × N) ÷ (O + P) ..... **530** \_\_\_\_\_ **Q**  
**Taxable capital employed in Canada** (amount K plus amount Q) ..... **590** \_\_\_\_\_

**To be completed by an insurance corporation that was resident in Canada at any time in the year and throughout the year did not carry on a life insurance business**

Taxable capital for the year (from line 500) \_\_\_\_\_ ×  $\frac{\text{Canadian premiums for the year}}{\text{Total premiums for the year}}$  **611** \_\_\_\_\_ = **650** \_\_\_\_\_  
 \_\_\_\_\_ **612** \_\_\_\_\_  
**Taxable capital employed in Canada** (amount K plus line 650) ..... **690** \_\_\_\_\_

**To be completed by an insurance corporation that was a non-resident of Canada throughout the year and carried on an insurance business in Canada at any time in the year**

**Taxable capital employed in Canada** (amount K plus amount from line 500) ..... **790** \_\_\_\_\_

**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 590, 690, or 790, whichever applies) ..... \_\_\_\_\_ **R**  
**Deduct:** ..... **\$10,000,000** **S**  
 Excess (amount R minus amount S) (if negative, enter "0") ..... \_\_\_\_\_ **T**  
**Calculation for purposes of the small business deduction** (amount T × 0.00225) ..... \_\_\_\_\_ **U**  
 Enter this amount at line 415 of the T2 return.

