

PART I.3 TAX RETURN - TAX ON LARGE INSURANCE CORPORATIONS

Name of corporation	Account Number	Taxation year-end		
		Day	Month	Year

- This return is to be used for 1992 and subsequent taxation years by insurance corporations that have Part I.3 tax payable before the deduction for surtax credits.
- This return does not include the amendments to clause 181.3(1)(c)(ii)(A) contained in Bill C-27 which received Royal Assent on June 15, 1994.
- Form T2149(E) Rev. 91 continues to apply to taxation years ending after June, 1989 but before 1992.
- Subsection 181(3) provides the basis to determine the carrying value of a corporation's assets or any other amount under Part I.3 in respect of its capital, investment allowance, taxable capital or taxable capital employed in Canada or in respect of a partnership in which it has an interest.
- Subsection 181(1) defines the terms "financial institution", "long-term debt" and "reserves".
- No Part I.3 tax is payable for a taxation year by a corporation that was:
 - 1) a non-resident owned investment corporation throughout the year, or
 - 2) a bankrupt (as defined by subsection 128(3)) at the end of the year, or
 - 3) throughout the year a deposit insurance corporation as defined by subsection 137.1(5), or deemed to be a deposit insurance corporation by subsection 137.1(5.1), or
 - 4) throughout the year exempt from tax under section 149 on all of its taxable income, or
 - 5) neither resident in Canada nor carried on business through a permanent establishment in Canada at any time in the year, or
 - 6) throughout the year a corporation described in subsection 136(2) the principal business of which was marketing (including processing incidental to or connected therewith) natural products belonging to or acquired from its members or customers.
- Parts, sections, subsections, paragraphs, and subclauses referred to in this return are those of the *Income Tax Act*.
- **File the completed T2149 with the T2 Corporation Income Tax Return - Form T2 - within six months from the end of the taxation year.**

CALCULATION OF PART I.3 TAX

Complete the following calculation, using the amounts determined on the next pages of this return:

Taxable Capital Employed in Canada for the year (Amounts 874, 884 or 892 whichever is applicable)	900	\$ _____
Deduct: Capital Deduction claimed for the year (Enter \$10,000,000 or, for related corporations, the amount allocated on form T2150)	901	_____
Excess (See Note).	800	\$ _____
PART I.3 TAX:		
(.002) X Amount 800 \$ _____	801	\$ _____

Note: If there is no excess, do not file this return.

OR

Where the taxation year of a corporation is less than 51 weeks, calculate the amount of tax payable as follows:

Amount **801** \$ _____ X $\frac{\text{Number of days in the year } \mathbf{802} (\quad)}{365}$ = **803** \$ _____

Gross Part I.3 Tax (Amount 801 or 803 , whichever is applicable)	375	\$ _____
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Deduct:

Surtax Credits Applied:

Current Year Surtax credit (amount D from page 5)	_____	
Unused Surtax credit carried forward from Form T962	_____	
Total (cannot exceed amount K on page 5)	_____	905 \$ _____

Net Part I.3 Tax Payable (Enter this amount at line 130 on page 6 of your T2 return) \$ _____

Complete the applicable areas below to determine the amounts for the calculation of Part I.3 Tax on page 1.

CAPITAL
CANADIAN RESIDENT CORPORATION THAT CARRIED ON A LIFE INSURANCE BUSINESS

To be completed by an insurance corporation that was resident in Canada and carried on a life insurance business at any time in the year.
Add the following amounts as at the end of the year:

Long-term debt	805	\$ _____	
Capital stock (see Note below)	806	_____	
Retained earnings	807	_____	
Contributed surplus	808	_____	
Any other surpluses	809	_____	
Total	810	_____ ▶	\$ _____
Deduct: Deferred tax debit balance at the end of the year	811	_____	
Any deficit deducted in computing the shareholders' equity at the end of the year	812	_____	
Total deductions	813	_____ ▶	_____
Capital for the year			814 \$ <u>_____</u>

Note: In the case of an insurance corporation incorporated without share capital, enter the amount of its members' contributions.

OR

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	815	\$ _____	
Add the following amounts as at the end of the year:			
Long-term debt	816	_____	
Capital stock (see note below)	817	_____	
Retained earnings	818	_____	
Contributed Surplus	819	_____	
Any other surpluses	820	_____	
Total	821	\$ _____ ▶	\$ _____
Deduct:			
Deferred tax debit balance at the end of the year	822	\$ _____	
The total amount of its deferred acquisition expenses in respect of its property and casualty insurance business in Canada, to the extent that it can reasonably be attributed to an amount included in the amount determined at line 815 above.	823	\$ _____	
Any deficit deducted in computing the shareholders' equity at the end of the year	824	\$ _____	
Total Deductions	825	\$ _____ ▶	\$ _____
Capital for the year			826 \$ <u>_____</u>

Note: In the case of an insurance corporation incorporated without share capital, enter the amount of its members' contributions.

NON-RESIDENT CORPORATION THAT CARRIED ON AN INSURANCE BUSINESS

To be completed by an insurance corporation that was throughout the year non resident in Canada and carried on an insurance business in Canada at any time in the year. The total of the following amounts at the end of the year:

The greater of its surplus funds derived from operations (within the meaning assigned by subsection 138(12)), computed as if no tax were payable under Part I.3 or Part VI for the year, and its attributed surplus.	830	\$ _____
Any other surpluses relating to insurance businesses carried on in Canada	831	_____
Long-term debt that may reasonably be regarded as relating to insurance businesses carried on in Canada	832	_____
Subtotal	833	\$ _____ ▶ \$ _____

Add the difference, if any, between the following:

Reserves for the year (other than reserves for amounts payable out of segregated funds) that may reasonably be regarded as having been established in respect of insurance businesses carried on in Canada	834	_____
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Deduct:

The total of each reserve (other than a reserve described in subparagraph 138(3)(a)(i)) that was included in the amount determined in 834 above and was deducted in computing income under Part I for the year	835	\$ _____
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The total of each reserve described in subparagraph 138(a)(i) that was included in the amount determined in 834 above and was deductible under subparagraph 138(3)(a)(i) in computing income under Part I for the year	836	_____
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The total of each amount outstanding (including any accrued interest) as at the end of the year in respect of a policy loan (within the meaning of subsection 138(12)) made by the corporation that was deducted in computing the amount determined in 836 above	837	_____
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The total of its deferred acquisition expenses in respect of its property and casualty insurance business in Canada, to the extent that it can reasonably be attributed to an amount included in the amount determined at 834 above	838	_____
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Total deductions	839	_____ ▶ \$ _____
Difference (834 - 839) (if negative, enter zero)	840	\$ _____ ▶ _____
Capital for the year (833 + 840)	841	\$ _____

INVESTMENT ALLOWANCE

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

All shares of the capital stock of related financial institutions (including related insurance corporations)	845	\$ _____
All long-term debts of related financial institutions (including related insurance corporations)	846	_____
Investment allowance for the year	847	\$ _____

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 asset determined above.
 (2) In the case of an insurance corporation, that was throughout the year not resident in Canada, include only those assets used or held by it in the year in the course of carrying on an insurance business in Canada.

TAXABLE CAPITAL

Capital for the year (Amount 814 or 826 or 841 , whichever is applicable)	902	\$ _____
Deduct: Investment Allowance for the year (Amount 847)	903	_____
Taxable Capital for the taxation year.	351	\$ _____

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 that is tangible property used in Canada and that is non-segregated property within the meaning assigned by subsection 138(12)	904	\$ _____
Add: Where the insurance corporation has an interest in a partnership at the end of the year, the proportion of the total of all amounts each of which is the carrying value of an asset of the partnership, that is tangible property used in Canada, at the end of its fiscal period ending at or before the end of the year, that the insurance corporation's share of the partnership's income or loss is of the partnership's income or loss for that period	851	_____
Subtotal	852	\$ _____

CANADIAN RESIDENT CORPORATION THAT CARRIED ON A LIFE INSURANCE BUSINESS

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

Amount 852 from above		860	\$ _____
Taxable Capital for the Year (Amount 351)	861	\$ _____	
Add: Total of amounts described in subclause 181.3(1)(c)(ii)(A)(II) (Amount T from page 6)	862		\$ _____
Subtotal		863	_____
Canadian Reserve Liabilities at year end		864	_____
Total Reserve Liabilities at year end		865	_____
Total of amounts described in subclause 181.3(1)(c)(ii)(A)(IV) (Amount U from page 6)		866	_____
(863 X 864/(865+866))		867	\$ _____

Add the difference, if any between the following:

Reserves for the year (other than reserves for amounts payable out of segregated funds) that may reasonably be regarded as having been established in respect of insurance businesses carried on in Canada **868** \$ _____

Deduct:

The total of each reserve (other than a reserve described in subparagraph 138(3)(a)(i) that was included in the amount determined in **868** above and was deducted in computing income under Part I for the year) **869** \$ _____

The total of each reserve described in subparagraph 138(3)(a)(i) that was included in the amount determined in **868** above and was deducted under subparagraph 138(3)(a)(i) in computing income under Part I for the year **870** \$ _____

The total of each amount outstanding (including any accrued interest) as at the end of the year in respect of a policy loan (within the meaning of subsection 138(12) made by the corporation that was deducted in computing the amount determined in **870** above) **871** \$ _____

Total deductions - Amounts **869 + 870 + 871** **872** \$ _____

Difference (Amount **868** less Amount **872**) (if negative, enter 0) **873** \$ _____

Taxable Capital Employed in Canada (Amounts **860 + 867 + 873**) **874** \$ _____
 (Enter on page 1)

OR

CANADIAN RESIDENT CORPORATION THAT DID NOT CARRY ON A LIFE INSURANCE BUSINESS

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.

Amount **852** from above **880** \$ _____

Add:
 Taxable capital for the year (Amount **351**) \$ _____ X $\frac{\text{Canadian premiums for the year}}{\text{Total premiums for the year}}$ $\frac{\text{881}}{\text{882}}$ \$ _____ = **350** _____

Taxable Capital Employed in Canada **884** \$ _____
 (Enter on page 1)

OR

NON-RESIDENT CORPORATION THAT CARRIED ON AN INSURANCE BUSINESS

To be completed by an insurance corporation that was throughout the year not resident in Canada and carried on an insurance business in Canada at any time in the year.

Amount **852** from above **890** \$ _____

Add:
 Taxable Capital for the year (Amount **351**) **891** _____

Taxable Capital Employed in Canada **892** \$ _____
 (Enter on page 1)

CALCULATION OF CURRENT YEAR SURTAX CREDITS

- For 1992 and subsequent taxation years, corporations can claim a credit against their Part I.3 tax for the amount of Canadian surtax payable. This is called Surtax credit.
- Financial Institutions can also apply the Surtax credit against their Part VI tax but only after applying the maximum amount against Part I.3 tax.
- Any Unused Surtax credit can be carried back three years or carried forward seven years but never to a taxation year ending before 1992. The Unused Surtax credits must be applied in order of the oldest first.

Current Year Surtax Credit equals Current Year Canadian Surtax Payable

Canadian Surtax Payable:

For an Insurance corporation that was throughout the year not resident in Canada, or a company that carried on a life insurance business at any time in the year:

Line 209 from your T2 Return D
 In any other case,
 Line 209 from your T2 Return _____ X $\frac{\text{Line 350 from page 4}}{\text{Line 351 from page 3}}$ _____ = _____ D

Please note, amount D cannot exceed the corporation's tax payable under Part I for the the year as calculated without reference to subsections 125.2(1) and 125.3(1) (amount N from page 5 of form T2044(E)).

CALCULATION OF PART I.3 TAX CREDIT AVAILABLE FOR CARRY-FORWARD OR CARRY-BACK

Amount D
 Less Part I.3 tax before deducting surtax credits (from Line 375 on page 1) E
 Net Amount F

If amount F is positive: This excess may be used to reduce Part VI tax payable to the extent that the Part VI tax payable exceeds Part I tax credits on page 1 of form T2044 G

If amount F is negative: Amount of Part I.3 tax credits from the current year that can be carried back to taxation years prior to 1992 to reduce Canadian Surtax payable in that year.

Note: This also represents the amount of unused surtax credit, for 1992 and subsequent taxation years, that may be carried forward (from prior years) to reduce Part I.3 tax payable in the current year. H

Part I tax before deducting Part VI tax credits and Part I.3 tax credits (Amount N from page 5 of form T2044)
 Less the total of:
 Amount E above
 Part VI tax before deducting tax credits (Amount M from page 1 of form T2044)
 Net Amount I

Lesser of Amounts G and I. This represents the maximum amount of Part I.3 tax credit that may be carried forward from tax years prior to 1992 and applied this year to reduce Canadian Surtax Payable (Refer to form T962 for Unused Part I.3 tax credit balance) J

Note: The portion of Amount J carried forward should be entered at line 226 of the T2 return.

MAXIMUM SURTAX CREDITS THAT MAY BE CLAIMED

Amount E
 Less: Part I.3 tax credits carried back (cannot exceed amount H above) **377**
 Maximum Claim K

CALCULATION OF CURRENT YEAR UNUSED SURTAX CREDIT

Amount F (if positive) \$
 Less: Part I.3 tax credits claimed (carried forward from taxation years prior to 1992, see amount J above)
 Net amount L

Amount WW from page 5 of form T2044
 Less the total of:
 Amount M from page 1 of form T2044
 Amount E above
 Net Amount M
 Current Year Unused Surtax Credit, the lesser of amounts L and M. Enter in box 2 on form T962 N

CERTIFICATION

Signature only required if this form is filed separately from signed T2 return.

I, _____, certify that the information given on this form is, to the best of my knowledge, correct and complete.
 (Please print)

_____ Date _____ Signature of authorized person _____ Position or office _____

