



Part XII.3 Tax Return Tax on Investment Income of Life Insurers (2016 and later tax years)

- If you are a life insurer, use this return to calculate the Part XII.3 tax on taxable Canadian life investment income for the year
- The terms used are explained on page 2
- All legislative references are to the federal Income Tax Act and Income Tax Regulations
- Calculate all amounts for each policy separately, and then total the amounts before entering the figures in parts 1 to 4
- Complete two copies of this return and mail them, separately from any other return, to the tax centre serving your head office, on or before the due date of your T2 Corporation Income Tax Return. Find your tax centre's address by going to canada.ca/tax-centres
- If you do not file this return by the due date, we may charge you a penalty. This penalty and any unpaid taxes are subject to interest compounded daily at a prescribed rate
- Instalments of Part XII.3 tax are payable monthly during the tax year, in accordance with section 211.3 of the Act. If you have not made the required monthly instalments, we may charge you interest. Any remainder is payable on or before your balance-due day for the tax year. Attach a cheque or money order payable to the **Receiver General for Canada**. Specify **T2142**, along with the name and business number of the life insurer, and the tax year of the account to be credited.

Do not use this area

Name of life insurer				Business number	
Address				Postal code	
Tax year for the period	from	Year Month Day	to	Year Month Day	Tax services office
Name of contact person				Telephone number	

Part XII.3 tax

Complete this summary using the amounts calculated on parts 2 to 5 of this return.

Basic investment income (amount 2E or 2F whichever applies from Part 2)	_____	A
Claims fluctuation reserve adjustment (amount 3L from Part 3)	_____	B
Subtotal (amount A plus amount B)	_____	C
Adjustment for amounts reported to policyholders (amount 4A from Part 4)	_____	D
Canadian life investment income (loss) for the year (amount C minus amount D) (see note)	_____	E
Canadian life investment loss carryforward applied during the year – from Part 5	_____	F
Taxable Canadian life investment income (amount E minus amount F)	_____	G
Part XII.3 tax payable for the year (amount G multiplied by 15%)	_____	H
Instalments paid	_____	I
If the result is negative, you have an overpayment . If the result is positive, you have an unpaid balance . Generally, we do not charge or refund a difference of \$2 or less.	Balance (amount H minus amount I) _____	J
Tick the box that applies: <input type="checkbox"/> Overpayment <input type="checkbox"/> Unpaid balance Enclosed payment _____		K

Note: If you have a Canadian life investment loss for the year, no Part XII.3 tax is payable. You can carry forward this loss and apply it against Canadian life investment income in later tax years. The carry-forward periods for unused losses are given in Part 5 on page 4.

Certification

I certify that the information given in this return and in any attached documents is, to the best of my knowledge, true, correct, and complete.

Name of authorized officer	Position or office
Signature of authorized officer	Year Month Day

Do not use this area

Privacy statement

Personal information is collected for the purposes of the administration or enforcement of the Income Tax Act and related programs and activities such as administering tax, benefits, audit, compliance, and collection. Personal information may be shared for purposes of other federal acts that provide for the imposition and collection of a tax or duty. Personal information may also be shared with other federal, provincial, territorial or foreign government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the Privacy Act, individuals have the right to access their personal information, request correction, or file a complaint to the Privacy Commissioner of Canada regarding the handling of the individual's personal information. Refer to Personal Information Bank CRA PPU 047 at canada.ca/cra-info-source.

Terms

The terms used in this return offer general guidance for the calculations required under the federal Income Tax Act. For more details, see section 211 of the Act and 1401 of the Regulations.

- **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). If you have a December 31 year-end, and do not have a short tax year, it has the following values: 4.04% for 2011; 3.83% for 2012; 3.43% for 2013; 3.16% for 2014; 2.9% for 2015; 2.58% for 2016; 2.30% for 2017; 2.27% for 2018 and 2.19% for 2019. To get V122487 interest rates (in) for years not shown on this form, see "Previous-year versions" at canada.ca/en/revenue-agency/services/forms-publications/forms/t2142
- **CFRmax** represents the maximum amount 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 life insurance policies in Canada, 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** (^{igt}) for a reduced rate policy (RRP) refers to the rate of interest used in determining the guaranteed benefits or 4%, whichever is greater. For a full rate policy (FRP), ^{igt} is nil
- **Full rate policies** (FRPs) are taxable life insurance policies other than reduced rate policies
- **Reduced rate policies** (RRPs) are taxable life insurance policies with guaranteed benefits that are the same as they were under the terms and conditions of the policies on March 2, 1988, or were changed to the terms and conditions provided 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 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

Part 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):	Individual	Group	
Life insurance policies in Canada (ignore policy loans and accrued interest)			1A
Reinsurance ceded on all life insurance policies			1B
Subtotal (amount 1A plus amount 1B)			1C
Reinsurance assumed on all life insurance policies			1D
Direct written – Life insurance policies in Canada (amount 1C minus amount 1D)			1E
Non-taxable policies (ignore reinsurance, policy loans, and accrued interest):			
Existing guaranteed life insurance policies (EGLIPs)			1F
Annuity contracts (including settlement annuities)			1G
Registered life insurance policies			1H
Registered pension plans			1I
Retirement compensation arrangements			1J
Total deductions (add amounts 1F to 1J)			1K
Policies subject to Investment Income Tax (IIT) (amount 1E minus amount 1K)			1L
Maximum disabled life reserves that are included at amount 1L determined under Regulation 1401(1)(d)(ii) (ignore reinsurance, policy loans, and accrued interest)			1M
Taxable policies – current year (amount 1L minus amount 1M)			1N
Taxable policies – previous year (amount 1N of the previous year)			1O
Mean taxable policies [(amount 1N plus amount 1O) divided by 2]			1P
Mean maximum determined reserves subject to IIT (total of amounts on 1P)			1Q
		(Enter in column 4 of Part 2)	

* The inclusion of the cash surrender and the net premium reserve values have changed for non-annuities. Review Regulation 1401(1)(a), (c), or (d) to make sure you use the proper values in your calculations for policies after 2016.

Part 2

Canadian life investment income or basic investment income Calculation of element A in subsection 211.1(3)

I.

1 Reduced rate policies (j ^{grd})	2 Previous year's maximum reserve (see note 1)	3 Current year's maximum reserve (see note 2)	4 Mean maximum reserve (column 2 + column 3) ÷ 2 (see note 3)	5 i ⁿ minus j ^{grd} (if negative, enter "0") (see note 4)	6 Column 4 x column 5
Total					2A

II.

7 Full rate policies (j ^{grd})	8 Previous year's maximum reserve (see note 1)	9 Current year's maximum reserve (see note 2)	10 Mean maximum reserve (column 8 + column 9) ÷ 2 (see note 3)	11 i ⁿ minus j ^{grd} (if negative, enter "0") (see note 4)	12 Column 10 x column 11
Total					2B

If you need more space, attach a separate sheet and give similar details.

III. Basic investment income

RRPs..... amount 2A _____ x 65% _____ 2C
 FRPs..... amount 2B _____ x 55% _____ 2D
Total basic investment income element A in subsection 211.1(3) (amount 2C plus amount 2D)..... _____ 2E
 (enter at amount A on page 1)

or

If the tax year of the corporation is less than 51 weeks, prorate amount 2E as follows:

Amount 2E _____ x number of days in the tax year (see note 5) ÷ 365 _____ 2F
 (enter at amount A on page 1)

Notes

- Note 1. For previous-year values, enter amount 1O from Part 1
- Note 2. For current-year values, enter amount 1N from Part 1
- Note 3. The total of columns 4 and 10 for RRs and FRPs must equal amount 1Q from Part 1
- Note 4. For policies issued after 2016, the rules have changed for calculating the cash surrender value and net premium reserve components for part XII.3. Refer to Regulation 1401(1)(c) and the definition of net premium reserve in Regulation 1401(3) to see how to calculate those amounts
- Note 5. The number of days in the tax year does not include February 29

Part 3

Canadian life investment income or claims fluctuation reserve (CFR) adjustment Calculation of element B in subsection 211.1(3)

Calculation of reserve adjustment:

CFRmax – current year _____ 3A
 CFRmax – previous year _____ 3B
 Mean CFRmax – current and previous year [(amount 3A plus amount 3B) divided by 2] _____ 3C
 V122487 interest rate (iⁿ)..... _____ 3D
Multiply amount 3C by amount 3D _____ 3E

or

If the tax year of the corporation is less than 51 weeks, prorate amount 3E as follows:

Amount 3E _____ x number of days in the tax year (see note) ÷ 365 _____ 3F

1990 to current year (amount 3E or amount 3F whichever applies) _____ 3G
 1990 to year before current year (amount 3E or amount 3F whichever applies) _____ 3H
 Current-year CFRmax minus 1989 CFRmax (if negative, enter "0") _____ 3I
Total deductions (amount 3H plus amount 3I) _____ 3J
Subtotal (Amount 3G minus amount 3J (if negative, enter "0")) _____ 3K
Total reserve adjustment element B in subsection 211.1(3) (amount 3E or 3F whichever applies, minus amount 3K) _____ 3L
 (enter at amount B on page 1)

Note: The number of days in the tax year does not include February 29.

Part 4

Canadian life investment income, or adjustment for amounts reported to policyholders
Calculation of element C in subsection 211.1(3)

Table with 6 columns: 1. Number of tax years or part years policy has been taxable; 2. Accrued income section 12.2 (see note); 3. Policy proceeds paragraph 56(1)(j) (see note); 4. Total (column 2 + column 3); 5. Relevant Percentage; 6. (column 4 x column 5). Rows for I. Full rate policies, II. Reduced rate policies, III. Former EGLIPs (1 to 13)*.

IV. Total adjustments for amounts reported to policyholders element C in subsection 211.1(3) 4A
(enter at amount D on page 1)

* Former EGLIPs: not included in full rate or reduced rate policies that are now taxable

Note: The amounts reported in columns 2 and 3 are amounts that would be included in the income of a policyholder for the calendar year ending in the tax year, under section 12.2 or paragraph 56(1)(j) of the Act.

Part 5

Canadian life investment loss carry-forward under subsection 211.1(2)

- The carry-forward period for unused losses is 20 years.
Adjustments may be required if there has been an amalgamation under subsection 87(2.2) or a wind-up under subparagraph 88(1)(g)(i).

Table with 5 columns: 1. Tax year-end Year Month Day; 2. Canadian life investment loss carryforward at the start of the year; 3. Add loss from current year; 4. Deduct loss carryforward used in the year; 5. Loss carryforward available for later years.

(enter at amount F on page 1)