

ADJUSTMENT TO NET CAPITAL LOSS REQUIRED BY VARIANCE IN INCLUSION RATES

- If the inclusion rate for the year of the loss differs from the inclusion rate for the year to which the loss is being applied, you have to adjust the amount of net capital losses applied.
- You can use Boxes 1, 2, and 3 to determine the portion of current year net capital losses needed to offset a taxable capital gain in a preceding taxation year.
- If the amount of current year net capital loss does not fully offset the taxable capital gain when applied to a single preceding taxation year, use Box 4 to determine the reduction to taxable income from applying the loss.
- You can calculate inclusion rates using Schedule T2S(6).

Box 1 – To determine the portion of current year net capital loss applied to a preceding year

Net capital Loss incurred	_____	A
Inclusion rate for the year of the loss	_____ B	
Taxable capital gain to be offset	_____ C	
Inclusion rate for the year of the taxable capital gain	_____ D	
Amount of loss to be applied = B _____ X $\frac{C}{D}$	_____ E	
The lesser of amounts A and E	_____ F	
– Enter amount F in the net capital loss column on reverse		
Balance of net capital loss available (amount A minus amount F)	_____ G	
If amount E is greater than amount A use Box 4 to determine the reduction to taxable income.		

Box 2 – To determine the portion of current year net capital loss applied to a preceding year

Remaining net capital loss available from loss year (amount G)	_____	H
Taxable capital gain to be offset	_____ I	
Inclusion rate for the year of the taxable capital gain	_____ J	
Amount of loss to be applied = B _____ X $\frac{I}{J}$	_____ K	
The lesser of amounts H and K	_____ L	
– Enter amount L in the net capital loss column on reverse		
Balance of net capital loss available (amount H minus amount L)	_____ M	
If amount K is greater than amount H use Box 4 to determine the reduction to taxable income.		

Box 3 – To determine the portion of current year net capital loss applied to a preceding year

Remaining net capital loss available from loss year (amount M)	_____	N
Taxable capital gain to be offset	_____ O	
Inclusion rate for the year of the taxable capital gain	_____ P	
Amount of loss to be applied = B _____ X $\frac{O}{P}$	_____ Q	
The lesser of amounts N and Q	_____ R	
– Enter amount R in the net capital loss column on reverse		
Balance of net capital loss available (amount N minus amount R)	_____ S	
If amount Q is greater than amount N use box 4 to determine the reduction to taxable income.		

Box 4 – To determine the reduction to the preceding year's taxable income

Net capital loss applied (amount F, L, or R)	_____	T
Inclusion rate for the year of the loss	_____	U
Inclusion rate for the year of the taxable capital gain	_____	V
Reduction to preceding year's taxable income = V _____ X $\frac{T}{U}$	_____	