

T3 Federal Foreign Tax Credits for Trusts

Information and Instructions

This credit is for foreign income or profits taxes a trust paid on income it earned outside Canada and reported on the trust's Canadian income tax return. Tax treaties with other countries may affect whether the trust is eligible for this credit.

Note

If a deduction was claimed on line 41 of the trust's return for income that is not taxable in Canada under a tax treaty, do not include that income in the trust's "Net foreign non-business income" (line 22092) or in the trust's "Net foreign business income" (line 22094). Also, do not include any foreign tax withheld from the income in the trust's "Non-business income tax paid to a foreign country" (line 22091) or in the trust's "Business income tax paid to a foreign country" (line 22093).

Use this form to calculate the trust's credit for non-business income tax and business income tax paid to a foreign country. If the trust paid either of these types of tax to more than one foreign country, calculate the trust's credit for each country on a separate sheet, using the formulas and line numbers on this form. After each credit is calculated, add together each line number of the calculations and put the total on the corresponding line number on this form. Keep any separate sheets with the trust's books and records. If the trust has not paid foreign business income tax, and has paid foreign non-business income tax of \$200 or less, no separate calculations are necessary.

In most cases, the foreign tax credit the trust can claim for each foreign country is whichever of the following two amounts is **lower**:

- the foreign income tax the trust paid
- the tax otherwise due in Canada on the trust's net income from that country

Note

If the trust paid tax on income from property sourced outside of Canada (other than real property), the trust's non-business foreign tax credit for that income cannot be more than 15% of the trust's net income from that property. However, the trust may be able to deduct on line 19 of the trust's return the part of the foreign taxes it paid over 15%.

How to claim

Do all calculations in **Canadian** dollars. Income tax payable to a foreign government and income earned outside Canada in a foreign currency must be converted to Canadian dollars. For information about acceptable methods of converting income tax payable, see Income Tax Folio S5-F2-C1, Foreign Tax Credit.

If the trust was a member of a partnership and may claim part of the foreign tax the partnership paid, include in the trust's calculations the amount shown in the financial statements or in box 171 and box 172 of the T5013 Statement of Partnership Income.

Claim on line 23 of the trust's Schedule 11 the amount from line 12 of this form. That amount should not be more than the amount on line 22 of Schedule 11.

If the trust's federal foreign tax credit on non-business income is less than the tax that the trust paid on non-business income to a foreign country and the trust **was not a resident of Quebec on December 31, 2021**, it may be able to claim a provincial or territorial foreign tax credit. Complete Form T3 PFT, T3 Provincial or Territorial Foreign Tax Credit for Trusts to calculate the credit and attach the form to the trust's completed T3 return.

If the trust **was a resident of Quebec on December 31, 2021**, see the guide for the trust's provincial income tax return for Quebec.

On line 19 of the trust's return, the trust may be able to deduct the amount of net foreign tax it paid for which it has not received any foreign tax credit. This does not include certain taxes the trust paid, such as on amounts it could have deducted under a tax treaty on line 41 of its return as income exempted from tax. For details, read Income Tax Folio S5-F2-C1, Foreign Tax Credit.

Supporting documents – Attach proof of the foreign income earned and the related foreign tax the trust paid to a foreign country (or countries) such as:

- letters, statements, or receipts from the payer of the income
- information slips in the name of the trust, such as T5013, T3, T5



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Use this form to calculate the amount the trust can deduct from federal tax for 2021 or a later tax year. If the trust was resident in Canada at any time in the tax year and paid non-business or business taxes to a foreign country on income from outside Canada, and the trust reported that income on its Canadian return, it can claim this credit. Calculate the credit separately for each country to which foreign income tax or profits taxes were paid and send the completed Form T3FFT with the trust's return. If the trust paid no foreign business income tax, and the total foreign non-business income tax paid is \$200 or less, separate calculations are not required. Only send one form. For more information, see Income Tax Folio S5-F2-C1, Foreign Tax Credit.

Country or countries for which the trust is making this claim: _____

Federal non-business foreign tax credit

| | | | |
|--|-------|--|-----|
| Non-business income tax paid to a foreign country (a) | 22091 | | • 1 |
| <hr/> | | | |
| Net foreign non-business income (b) | 22092 | × Basic federal tax (d) | = |
| Divided by: net income (c) | | | 2 |
| Enter the amount from line 1 or line 2, whichever is less. | | Federal non-business foreign tax credit | 3 |
| <hr/> | | | |
| The amount on line 3 should not be more than the amount on line 22 of the trust's Schedule 11. | | | |

Federal business foreign tax credit

| | | | |
|--|-------|--|------|
| Business income tax paid to a foreign country (e) for the year, plus any unused foreign tax credits for that country for the ten years before, and the three years after this year. | 22093 | | • 4 |
| <hr/> | | | |
| Net foreign business income (f) | 22094 | × Basic federal tax (g) | = |
| Divided by: net income (c) | | | 5 |
| Federal surtax on income the trust earned outside Canada: amount from line 9 of Part 2 of Form T3MJ, T3 Provincial and Territorial Taxes – Multiple Jurisdictions, or the amount from line 21 of Schedule 11. Enter the amount that applies to the country or countries that the trust has identified at the top of this page. | | + | 6 |
| Add lines 5 and 6. | | = | 7 |
| Add basic federal tax (g) and the amount from line 6. | | 8 | |
| Enter the amount from line 3, if any. | | - | 9 |
| Line 8 minus line 9 | | = | ▶ 10 |
| Enter the amount from line 4, 7, or 10, whichever is less. | | Federal business foreign tax credit | 11 |

Federal foreign tax credit

| | | | |
|---|--|-----------------------------------|----|
| Add lines 3 and 11. | | Federal foreign tax credit | 12 |
| <hr/> | | | |
| The amount on line 12 should not be more than the amount on line 22 of the trust's Schedule 11. | | | |
| Enter the amount from line 12 on line 23 of the trust's Schedule 11. | | | |

See the privacy notice on your return.

(a) Non-business income tax paid to a foreign country

Total of non-business income or profits taxes the trust paid to a foreign country or to a political subdivision of that country for the year, minus any part of that tax deducted under subsection 20(11) or subsection 20(12) of the Income Tax Act. Non-business income tax paid to a foreign country does not include tax that can reasonably be attributed to an amount that:

- any other person or partnership has received or is entitled to receive from the foreign country
- relates to taxable capital gains from that country, and the trust claimed a capital gains deduction for that income
- was income exempted from tax under a tax treaty between Canada and that country, or
- was designated under subsection 104(22) of the Income Tax Act

Note:

Any amount of tax the trust paid to a foreign government in excess of the amount the trust had to pay according to a tax treaty is considered a voluntary contribution and does not qualify as foreign tax paid.

(b) Net foreign non-business income

Net amount calculated when the non-business income the trust earned in a foreign country is more than the non-business losses the trust incurred in that country. When calculating the non-business income and losses, claim the allowable expenses and deductions relating to the foreign income or loss. Subtract the following from the trust's foreign non-business income:

- any income from the foreign country for which the trust claimed a capital gains deduction
- any income that was exempt from tax in Canada or in the foreign country, under a tax treaty between Canada and the country
- any foreign resource and, exploration and development expense deductions
- any deduction claimed under subsections 20(11) or 20(12) of the Income Tax Act and under subsection 4(3) of the Income Tax Act relating to the foreign income, including any deduction claimed for foreign carrying charges

Do **not** reduce the trust's foreign non-business income by any deduction the trust claimed for a dividend it received from a controlled foreign affiliate. If the trust's net foreign non-business income is more than its net income, use the trust's net income in the calculation.

For more information on deductions claimed under subsections 20(11) and 20(12) of the Income Tax Act, see Income Tax Folio S5-F2-C1, Foreign Tax Credit.

Note

Only include the trust's foreign non-business income for the part of the year it was a resident of Canada.

(c) Net income

Line 31 of the trust's return **minus** any:

- net capital losses of other years claimed (line 34 of the trust's return), and
- foreign income amount exempt under a tax treaty (line 35 of the trust's return)

(d) Basic federal tax

Line 20 of Schedule 11 **plus** any:

- federal dividend tax credit (line 15 of Schedule 11), and
- federal surtax on income the trust earned outside Canada (line 9 of Part 2 of Form T3MJ or line 21 of Schedule 11)

minus any:

- refundable Quebec abatement (line 34 of Schedule 11 or line 14 of Part 2 of Form T3MJ), and
- federal refundable First Nations abatement (line 20 of Schedule 11 multiplied by the applicable rate from Form YT432)

Note

If the trust was a resident of Quebec, **federal tax** is the amount on line 20 of Schedule 11 **plus** any:

- federal dividend tax credit (line 15 of Schedule 11)

minus any:

- refundable Quebec abatement (line 34 of Schedule 11 or line 14 of Part 2 of Form T3MJ)

(e) Business income tax paid to a foreign country

Total of business income tax or profits taxes the trust paid to a foreign country or a political subdivision of that country for the year (see Note 2 below). The total does not include any part of the business income tax reasonably attributed to an amount that any other person or partnership has received or is entitled to receive from a country, or that was payable on income that was exempt from tax under a tax treaty between Canada and that country.

Note 1

Any amount of tax the trust paid to a foreign government in excess of the amount the trust had to pay according to a tax treaty is considered a voluntary contribution and does not qualify as foreign tax paid.

Note 2

If the trust was a resident of Quebec, multiply this amount by 55% and enter the result on line 22091.

(f) Net foreign business income

Net amount by which the business income the trust earned in a foreign country is more than the business losses the trust incurred in that country. When calculating the business income and losses, claim the allowable expenses and deductions related to the foreign income or loss, including foreign resource, exploration, and development deductions. Reduce the trust's business income by any income from the country that was exempt from tax in Canada or in the foreign country, under a tax treaty between Canada and the country. If the trust's net foreign business income is more than its net income, use the trust's **net income** in the calculation.

Note

Include only the foreign business income for the part of the year the trust was a resident of Canada.

(g) Basic federal tax

Line 20 of Schedule 11, **plus** any federal dividend tax credit (line 15 of Schedule 11).

Note

If the trust was a resident of Quebec, these instructions do not apply. Instead follow the instructions in the note provided under paragraph (d) to calculate "Basic federal tax (g)" at line 5 of the form.