Canada Revenue Agency | Agence du revenu du Canada

Fishing Income

Includes Form T2121

2015

T4004(E) Rev. 15

Canada

Is this guide for you?

Use this guide if you earned income as a **sole proprietor** (**unincorporated, self-employed individual**) fisher or as a partner of a fishing partnership. It will help you calculate the fishing income to report on your 2015 income tax return.

You can be a self-employed fisher and also a partner of one or more fishing partnerships. For instance, you may have fished for groundfish by yourself and also have been in a lobster-fishing partnership with your child.

Generally, we consider you to be a self-employed fisher if all of the following applies to you:

- you participate in making a catch;
- you are not fishing for your own or another person's sport; and
- you meet at least **one** of the following conditions:
  - you own or lease the boat that is used to make the catch;
  - you own or lease specialized fishing gear (not including hand tools or clothing) used to make the catch;
  - you hold a species licence issued by Fisheries and Oceans Canada, which is necessary to make the catch; or
  - you have a right of ownership to all or part of the proceeds from the sale of the catch, and you are responsible for all or part of the expenses had in making the catch. This means you have to pay a predetermined amount or percentage of the expenses, such as fuel, had by the crew in making the catch, regardless of the value of the catch.

Throughout this guide, we refer to other guides, forms, income tax folios, archived interpretation bulletins, and information circulars. Generally, if you need any of these, go to **www.cra.gc.ca/forms**. You may want to bookmark this address for easier access to our website in the future. For more information on archived content of interpretation bulletins, go to **www.cra.gc.ca/menu/rchvt-eng.html**.

Unless otherwise noted, all legislative references are to the *Income Tax Act* and the *Income Tax Regulations*.

If you are blind or partially sighted, you can get our publications in braille, large print, etext, or MP3 by going to **www.cra.gc.ca/alternate**. You can also get our publications and your personalized correspondence in these formats by calling **1-800-959-5525**.

This guide uses plain language to explain the most common tax situations. If you need help after you read this guide, call our Business Enquiries line at **1-800-959-5525**.

La version française de ce guide est intitulée *Revenus de pêche*.

What's new for 2015?

Lifetime capital gains exemption

The lifetime capital gains exemption (LCGE) for qualified farm or fishing property (QFFP) sold after April 20, 2015, increases to $1,000,000. For more information, see "Cumulative capital gains deduction" on page 42.

Farming and fishing income guide

In 2017, Guide T4004, *Fishing Income*, will no longer be published. It will be replaced by Guide T4003, *Farming and Fishing Income*. The T4003 will include tax information for both farmers and fishers.

Small business job credit

A new Small business job credit (SBJC) will refund small businesses that pay total employment insurance (EI) premiums of $15,000 or less to lower their premiums by nearly 15% in 2015 and 2016 tax years. The CRA will calculate the credit once the employer's T4 information return for the relevant year has been processed. For more information on this tax measure, go to **www.cra.gc.ca/sbjc**.

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Definitions

Arm's length – refers to a relationship or a transaction between persons who act in their separate interests. An arm's length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their separate interests.

"Related persons" are not considered to deal with each other at arm's length. Related persons include individuals connected by blood relationship, marriage, common-law partnership or adoption (legal or in fact). A corporation and another person or two corporations may also be related persons.

"Unrelated persons" may not be dealing with each other at arm's length at a particular time. Each case will depend upon its own facts. The following criteria will be considered to determine whether parties to a transaction are not dealing at arm's length:

- whether there is a common mind which directs the bargaining for the parties to a transaction;
- whether the parties to a transaction act in concert without separate interests; "acting in concert" means, for example, that parties act with considerable interdependence on a transaction of common interest; or
- whether there is de facto control of one party by the other because of, for example, advantage, authority or influence.

For more information, see Income Tax Folio S1-F5-C1, *Related persons and dealing at arm's length.*

Available for use – generally, the **earlier of**:

- the time the property is first used by the claimant to earn income; and
- the time the property is delivered or is made available to the claimant and is capable of producing a saleable product or service.

For more information, see "Available for use rules" on page 27.

Capital cost – the amount on which you first claim capital cost allowance (CCA). The capital cost of a property is usually the total of:

- the purchase price (not including the cost of land, which is not depreciable);
- the part of your legal, accounting, engineering, installation, and other fees that relate to buying or constructing the property (not including the part that applies to land);
- the cost of any additions or improvements you made to the property after you acquire it, if you did not claim these costs as a current expense (such as modifications to accommodate persons with disabilities); and
- for a building, soft costs (such as interest, legal and accounting fees, and property taxes) related to the period you are constructing, renovating, or altering the building, if these expenses have not been deducted as current expenses.

Capital cost allowance (CCA) – the deduction you can claim over a period of several years for the cost of depreciable property, that is, property that wears out or becomes obsolete over time like a building, furniture, or equipment, you use in your business or professional activities.

Depreciable property – the property on which you can claim CCA. It is usually capital property used to earn income from a business or property. The capital cost can be written off as CCA over a number of years. You usually group depreciable properties into classes. Diggers, drills, and tools that cost $500 or more belong in Class 8. You have to base your CCA claim on the rate assigned to each class of property.

Fair market value (FMV) – generally, the highest dollar value you can get for your property in an open and unrestricted market between an informed and willing buyer and an informed and willing seller who are dealing at arm's length with each other.

Motor vehicle – an automotive vehicle designed or adapted for use on highways and streets. A motor vehicle does not include a trolley bus or a vehicle designed or adapted to be operated only on rails.

Non-arm's length – generally refers to a relationship or transaction between persons who are related to each other.

However, a non-arm's length relationship might also exist between unrelated individuals, partnerships or corporations, depending on the circumstances. For more information, see the definition of "arm's length."

Passenger vehicle – a motor vehicle designed or adapted primarily to carry people on highways and streets. It seats a driver and no more than eight passengers. Most cars, station wagons, vans, and some pick-up trucks are passenger vehicles. They are subject to the limits for CCA, interest, and leasing. A passenger vehicle **does not** include:

- an ambulance;
- a clearly marked police or fire emergency response vehicle;
- a motor vehicle you bought to use more than 50% as a taxi, a bus used in the business of transporting passengers, or a hearse used in a funeral business;
- a motor vehicle you bought to sell, rent, or lease in a motor vehicle sales, rental, or leasing business;
- a motor vehicle (except a hearse) you bought to use in a funeral business to transport passengers;
- a van, pick-up truck, or similar vehicle that seats no more than the driver and two passengers and that, in the tax year you bought or leased it, was used more than 50% to transport goods and equipment to earn income;
- a van, pick-up truck, or similar vehicle that, in the tax year you bought or leased it, was used 90% or more to transport goods, equipment, or passengers to earn income;

- a pick-up truck that, in the tax year you bought or leased it, was used more than 50% to transport goods, equipment, or passengers to earn or produce income at a remote work location or at a special work site that is at least 30 kilometres from the nearest community with a population of at least 40,000; and
- a clearly marked emergency medical service vehicle used to carry paramedics and their emergency medical equipment.

Proceeds of disposition – the amounts you receive, or that we consider you to have received, when you dispose of your property (usually the selling price of the property). Proceeds of disposition is also defined to include, amongst other things, compensation received for property that has been expropriated, destroyed, or stolen.

Undepreciated capital cost (UCC) – generally, the amount left after you deduct CCA from the capital cost of a depreciable property. Each year, the CCA you claim reduces the UCC of the property.

Chapter 1 – General information

Fishing income

Fishing income includes income you earned, whether it was payable in cash, property, or services from fishing for or catching:

- shellfish;
- crustaceans; and
- marine animals.

Fishing income does **not** include income you earned from working as an employee in a fishing business.

> **Note**
> Include all your income when you calculate it for tax purposes. If you fail to report all your income, you may pay a penalty of 10% of the amount you failed to report after your first omission.
>
> A different penalty may apply if you knowingly, or under circumstances amounting to gross negligence, participate in the making of a false statement or omission on your income tax return. The penalty is 50% of the tax attributable to the omission or false statement (minimum $100).

If you are not sure whether you are a self-employed fisher or an employee, see Guide T4005, *Fishers and Employment Insurance*.

You were asking?

Q. When does a fishing business start? Can I deduct the costs I incurred before and during the start of my fishing business?

A. We look at each case on its own merits. Generally, we consider that a fishing business starts whenever you begin some significant activity that is a regular part of the business, or that is necessary to get the business going.

Suppose you decide to buy enough equipment to start your fishing business. We would consider this to be the starting point of your business. You can usually deduct all of the expenses you have incurred up to that point to earn fishing income. You could still deduct the expenses even if, despite all your efforts, your business wound up. However, if you review several different types of fishing activities in the hope of going into a fishing business of some kind, we would not consider your business to have begun. In that case, you cannot deduct any of the costs you have incurred.

For more information about the start of a business, see the latest archived Interpretation Bulletin IT-364, *Commencement of Business Operations*, or go to **www.cra.gc.ca/smallbusiness**.

The law allows Statistics Canada to access business information collected by the Canada Revenue Agency (CRA). Statistics Canada can share data concerning business activities carried out in the respective province with provincial statistical agencies, for research and analysis purposes only.

How to report your fishing income

You can earn fishing income as a self-employed fisher or as a partner of a fishing partnership. Most of the rules that apply to self-employed fishers also apply to partners. However, if you are a partner, you should see "Reporting partnership income" on page 11.

Fiscal period

Report your fishing income based on a fiscal period. A **fiscal period** is the time covered from the day your fishing business starts its business year, to the day it ends its business year. For an existing business, the fiscal period is usually 12 months. A fiscal period cannot be longer than 12 months. However, it can be shorter than 12 months in some cases, such as when a new business starts or when a business stops.

Self-employed individuals generally have to use a December 31 year-end. If you are an eligible individual, you may be able to use another method of reporting business income that allows you to have a fiscal period that does not end on December 31. If your fiscal year-end is not December 31, see Guide RC4015, *Reconciliation of Business Income for Tax Purposes*, to calculate the amount of business income to report on your 2015 income tax return. The publication includes Form T1139, *Reconciliation of 2015 Business Income for Tax Purposes*.

If you filed Form T1139 with your 2014 income tax return, generally you have to file one again for 2015.

Reporting methods

You can report your fishing income using the cash method or the accrual method of accounting.

Cash method

When you use the cash method, you:

- report income in the fiscal period you receive it; and
- deduct expenses in the fiscal period you pay them.

For special rules, see “Prepaid expenses” on page 16.

If you use the cash method and receive a post-dated cheque as security for a debt, include the amount in income when the cheque is payable.

If you receive a post-dated cheque as an absolute payment for a debt and the cheque is payable before the debt is due, include the amount in your income on one of the following dates, whichever is earlier:

- the date the debt is payable; or
- the date you cash or deposit the cheque.

Note
The preceding post-dated cheque rules apply to income-producing transactions, such as the sale of fish. They do not apply to transactions involving capital property, such as the sale of a boat.

When you use the cash method in a fishing business, do not include inventory when you calculate your income. There are, however, two exceptions to this rule.

You can include in inventory the cost of your nets and traps. For more information, see “Line 9137 – Nets and traps” on page 21. A fishing partnership can use the cash method only if all the partners agree to use it.

For more information on the cash method for fishing income, see the latest archived Interpretation Bulletin IT-433R, *Farming or Fishing – Use of Cash Method*.

Accrual method

When you use the accrual method you:

- report income in the fiscal period you earn it, no matter when you receive it; and
- deduct expenses in the fiscal period you incur them, whether or not you pay them in that period.

For special rules, see “Prepaid expenses” on page 16.

When you calculate your income using the accrual method, the value of all inventories, such as fish, fish by-products, supplies, and so on will form part of the calculation. Make a list of your inventory and count it at the end of your fiscal period. Keep this list as part of your business records.

You can use **one** of the following methods to value your inventory:

- value all inventory at its **fair market value** (FMV) (see “Definitions” on page 5). Use either the price you would pay to replace an item or the amount you would get if you sold an item;
- value individual items at cost or FMV, whichever is less. You can value items by group when you cannot easily tell one item from another. Cost is the price you incur for an item, plus any expenses you incur bringing an item to your business location and putting it in a condition so that it can be used in the business.

Use the same method you used in past years to value your inventory. The value of your inventory at the start of your 2015 fiscal period is the same as the value at the end of your 2014 fiscal period. In your first year of operating a fishing business, you will not have an opening inventory at the start of your fiscal period.

For more information on inventories, see the latest archived Interpretation Bulletin IT-473R, *Inventory Valuation*.

Note
If you use the accrual method to calculate your fishing income, calculate your cost of goods sold on a separate piece of paper. Form T2121 does not have a line to calculate this amount.

Changing your method of reporting income

If you decide to change your method of reporting income from the **accrual method** to the **cash method**, simply use the cash method when you file your next income tax return. Make sure you include a statement that shows each adjustment made to your income and expenses because of the difference in methods.

If you decide to change from the **cash method** to the **accrual method**, you must receive permission from your tax services office. Ask for this change in writing before the date you have to file your income tax return. In your letter, explain why you want to change methods.

Because there is a difference between the cash and accrual methods, the first time you file your income tax return using the accrual method, make sure you include a statement that shows each adjustment made to your income and expenses.

Business records

You are required by law to keep records of all your transactions to be able to support your income and expense claims. A record is defined to include; an account, an agreement, a book, a chart or table, a diagram, a form, an image, an invoice, a letter, a map, a memorandum, a plan, a return, a statement, a telegram, a voucher, and any other thing containing information, whether in writing or in any other form.

Keep a record of your daily income and expenses. We do not issue record books nor suggest any type of book or set of books. There are many record books and bookkeeping systems available; you can use a book that has columns and separate pages for income and expenses.

Keep your duplicate deposit slips, bank statements, and cancelled cheques. Keep separate records for each business you run. If you want to keep computerized records, make sure they are clear and easy to read.

Note
Do not send your records with your income tax return. However, do keep them in case we ask to see them at a later date.

Benefits of keeping complete and organized records

You can benefit from keeping complete and organized records. For example:

- When you earn income from many places, good records help you identify the source of income. If you keep proper records, you may be able to prove that some income is not from your business, or that it is not taxable.
- Keeping good records will remind you of expenses you can deduct when it is time to do your income tax return.
- Good records will keep you better informed about the past and present financial position of your business.
- Good records can help you budget, spot trends in your business, and get loans from banks and other lenders.
- Good records can prevent problems you may run into if we audit your income tax returns.

Consequences of not keeping adequate records

If you do not keep the necessary information and you do not have any other proof, we may have to determine your income using other methods.

We may also disallow expenses you deducted if you are unable to support them.

There are penalties for not keeping adequate records, for not giving the CRA access to your records when requested, and for not giving information to CRA officials when asked.

Income records

Keep track of the gross income your fishing business earns. Gross income is your total income before you deduct expenses. Your income records should show the date, amount, and source of the income. Record the income whether you received cash, property, or services. Support all income entries with original documents.

Original documents include sales slips for each landing, trip settlement sheets, and slips or records of sale to the public, retailers, and restaurants.

For an example of how to record your income, see page 9.

Expense records

Always get receipts or other vouchers when you buy something for your business. When you buy merchandise or services, the receipts have to show:

- the date of the purchase;
- the name and address of the seller or supplier;
- the name and address of the buyer; and
- the full description of the goods or services.

For an example of how to record your expenses, see page 9.

You were asking?

Q. What should I do if there is no description on a receipt?

A. When you buy something, make sure the seller describes the item. However, sometimes there is no description on the receipt, as with a cash register tape.

In this case, you should write what the item is on the receipt or in your expense records.

Q. What should I do if a supplier does not want to give me a receipt?

A. When you buy something, make sure you get a receipt. Suppliers who are GST/HST registrants are required to provide receipts. Fishers must obtain documentation to support the transactions they enter in their books and records. Your transactions may be denied if you do not have the proper documentation to support your purchases. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Keep a record of the properties you bought and sold. This record should show who sold you the property, the cost, and the date you bought it. This information will help you calculate your CCA and other amounts. Chapter 4 explains how to calculate CCA.

If you sell or trade a property, show the date you sold or traded it and the amount of the payment or credit from the sale or trade in.

Example

Summary Sheet for a Fishing Boat – Fishing on a Share Basis

Date	Gross stock	Boat share	Oil	Bait	Ice	Food	Captain's commis-sion	Crewman No.1	Crewman No.2	Crewman No.3	Crewman No.4	Totals
February 14	$10,000	$4,000	$300	$400	$200	$300	$200	$1,150	$1,150	$1,150	$1,150	$10,000
March 10	30,000	12,000	300	400	200	300	600	4,050	4,050	4,050	4,050	30,000
March 19	20,000	8,000	300	400	200	300	400	2,600	2,600	2,600	2,600	20,000
Totals												

Summary Sheet for Boat and Other Expenses

Date	To whom paid	Boat repairs	Engine repairs	Electrical equipment repairs	Radar rental	Insurance	Interest on loan	Nets, traps, twine	Wages	Other	
										Description	Amount
January 19	Shipyard	$1,500	$900								
February 3	X Suppliers Ltd.							$600			
March 31	Rental services				$800						
March 31	Fishermen's loan					$2,250	$945				
April 4	L. Electronics			$85							
April 12	B. Garage									Car repairs	$75
May 2	J.G. Smith								$120		
May 16	L. Electronics									Sounder	3,000
Totals											

Summary Sheet for Sales Other Than From Fishing on a Share Basis

Date	To whom sold	Gross landings	Deducted from sales proceeds			Net cash received
			Gas	Bait	Other	
January 16	Fish Packers	$1,000	$36.50	$74.90	$20	$868.60
20	Fish Packers	800	20.00	36.00	10	734.00
21	J. Restaurant – no fish slip	100				100.00
25	Fish Packers	940	32.00	56.00	12	840.00
Totals						

Summary Sheet for Expenses (other than those deducted on fish slips)

Date	To whom paid	Boat repairs	Engine repairs	Wages paid	Bait	Gas for boat	Rope	Motor vehicle expenses	Materials, traps, nets	Other	
										Description	Amount
January 4	X Suppliers						$25		$85		
5	Shipyard	$300									
7	Provincial gov.									Fishing Licence	$7
7	B. Insurance							$280			
9	X. Service Station							16			
12	F. Jones			$85							
31	Fishermen's loan									Interest	175
Totals											

Use the totals to fill in Form T2121, *Statement of Fishing Activities*.

Time limits for keeping records

Depending on the situation, keep your records for the following lengths of time:

- if you filed your income tax return on time, a minimum of six years after the end of the tax year to which they relate;
- if you filed your income tax return late, six years from the date you file your return; or
- if you filed an objection or appeal, keep them until either:
  - the issue is settled and the time for filing any further appeal expires; or
  - the six-year period mentioned above has expired, whichever is later.

These retention periods do not apply to certain records. For more information, see the Information Circular IC78-10R5, *Books and Records Retention/Destruction*. If you want to destroy your records before the minimum six-year period is over, you must first get written permission from your tax services office. To do this, either use Form T137, *Request for Destruction of Records*, or prepare your own written request. For more information, go to **www.cra.gc.ca/records**.

Instalment payment

As a self-employed fisher, you may have to pay an instalment payment due December 31, 2016. In most cases, we will send you an instalment reminder showing an instalment amount we have calculated for you. However, there are different methods that can be used to calculate instalment payments.

You may have to pay interest and a penalty if you do not pay the full instalment amount owed on time.

For more information on instalment payments or instalment interest charges, go to **www.cra.gc.ca/instalments**.

> **Note**
> If any of the dates mentioned above fall on a Saturday, a Sunday, or a statutory holiday, you have until the next business day to make your instalment payments.

Dates to remember

February 29, 2016 – If you have employees, file your 2015 T4 *Summary* and T4A *Summary*. Also, give your employees their copies of the T4 and T4A slips.

March 31, 2016 – Most fishing partnerships file a partnership information return. However, there are exceptions, see Guide T4068, *Guide for the Partnership Information Return (T5013 Forms)*.

April 30, 2016 – Pay any balance owing for 2015. Also, file your 2015 income tax return if the expenditures of your business are mainly the cost or the **capital cost** (see "Definitions" on page 5) of tax shelter investments.

June 15, 2016 – File your 2015 income tax return if you have self-employed fishing income, or if you are the spouse or common-law partner of someone who does, unless your business expenditures are mainly the cost or the capital cost of tax shelter investments. Remember to pay any balance owing due April 30, 2016, to avoid interest charges.

December 31, 2016 – Pay your instalment payment if you meet the following conditions:

- your main source of income in 2016 is self-employment income from fishing; and
- your net tax owing is more than $3,000 in each of 2014, 2015, and 2016 ($1,800 if you live in Quebec on December 31 for any of those years).

For more information on paying your income tax by instalments, go to **www.cra.gc.ca/instalments**.

> **Note**
> If any of the dates mentioned above fall on a Saturday, Sunday, or a statutory holiday, you have until the next business day to file your return or make your payment.

Employment Insurance (EI) benefits for self-employed persons

Beginning in the year you register to participate in the EI program, your EI premiums will be calculated on your income tax return for that year. If you register in 2015 to participate in this program, premiums for 2015 will be calculated on your 2015 income tax return and will be payable by April 30, 2016.

Subsequently, if you pay your income tax by instalment, EI premiums may be included in your instalment payments.

When you register for the EI program, EI premiums will be payable on your self-employment income for the entire year, regardless of the date you register. For example, whether you register in April 2015 or December 2015, you will pay EI premiums on your self-employment income for the entire 2015 year.

EI premiums are payable on the amount of your self-employment earnings up to an annual maximum amount. The annual maximum amount for 2015 is $49,500.

For more information, visit **www.servicecanada.gc.ca**.

Goods and services tax/harmonized sales tax (GST/HST) registration

Generally, you must register for the GST/HST if your worldwide gross revenues from your taxable supplies of property and services are more than $30,000 in a single calendar quarter or over four consecutive calendar quarters. Taxable supplies of property and services include those that are subject to GST/HST at the applicable rate, those that are taxed at 0% (zero-rated), and those from all your associates. Do not include in your calculation any revenues from sales of capital property, supplies of financial services, and goodwill from the sale of a business.

If your gross revenue is equal to or less than $30,000, you do not have to register, but you can do so if you want to. It may benefit you to register because GST/HST registrants can claim input tax credits.

For information about GST/HST taxable fishing goods and services, zero-rated fishing products, and zero-rated fishing purchases, see page 47. For more information on GST/HST, go to **www.cra.gc.ca/gsthst**.

For more information, see the GST/HST Memoranda Series, *2-1 Required registration*.

The GST/HST Registry

The GST/HST Registry is an online service that allows you to verify a business GST/HST registration number which helps make sure that claims submitted for input tax credits include only the GST/HST charged by suppliers who are registered for GST/HST purposes. For more information, go to **www.cra.gc.ca/gsthstregistry**.

You can verify the Quebec Sales Tax (QST) registration number at **www.revenuquebec.ca/en/sepf/services/sgp_validation_tvq/default.aspx**.

What is a partnership?

Under Canadian provincial and territorial common-law statutes, a partnership is defined as the relation (or relationship) that subsists (or exists) between persons carrying on a business in common with a view to profit. You can have a partnership without a written agreement. To help you decide if you are a partner in a certain business, determine the type and extent of your involvement in the business and check your province or territory's laws.

When you form, change, or dissolve a relationship that may be a partnership, consider:

- whether the relationship is a partnership;
- the special rules about capital gains or losses and the recapture of CCA that apply when you transfer properties to a partnership;

- the special rules that apply when you dissolve a partnership; and
- the special rules that apply when you dispose of your interest in a partnership.

For more information about partnerships, see Income tax Folio S4-F16-C1, *What is a Partnership?*

Limited partnership

A limited partnership is a partnership comprised of one or more general partners and one or more limited partners. Unlike a limited partner, a general partner has unlimited liability. However, in general terms, the liability of a limited partner is only limited if that partner is a passive partner that does not participate in running the business.

Reporting partnership income

A partnership does not generally pay income tax on its income or file an income tax return. Instead, each partner files an income tax return to report his or her share of the partnership's net income or loss. This requirement is the same whether the share of income was received in cash or as a credit to the partner's capital account.

Partnership losses

If a partnership has a loss from carrying on business in a taxation year, this loss is allocated to the partners. In general, the amount of business loss allocated to a particular partner is either netted against the partner's income from other sources to arrive at net income for the year or is included in determining the partner's non-capital loss for the year, as the case may be.

For more information about losses, see "Fishing and non-capital losses" on page 41.

Filing requirements for partnerships

Under subsection 229(1) of the Regulations, all partnerships that carry on business in Canada or are Canadian partnerships or specified investment flow-through (SIFT) partnerships must file a partnership return. However, under CRA administrative policy, certain partnerships that carry on business in Canada or are Canadian partnerships are not required to file a partnership return.

A partnership that carries on a business in Canada, or a Canadian partnership with Canadian or foreign operations or investments, has to file a T5013 partnership information return for each of its fiscal periods, if:

- at the end of the fiscal period, the partnership has an absolute value of revenues plus an absolute value of expenses of more than $2 million, or has more than $5 million in assets; or
- at any time during the fiscal period:
  - the partnership is a tiered partnership (for example, the partnership has another partnership as a partner or is itself a partner in another partnership);
  - the partnership has a partner that is a corporation or a trust;
  - the partnership invested in flow-through shares of a principal-business corporation that incurred Canadian resource expenses and renounced those expenses to the partnership; or
  - the Minister of National Revenue requests one in writing.

For more information about the partnership information return and any other filing exemptions, go to **www.cra.gc.ca/partnership** or see Guide T4068, *Guide for the Partnership Information Return (T5013 Forms).*

Capital cost allowance (CCA)

A partnership can own **depreciable property** (see "Definitions" on page 5) and claim CCA on it. However, individual partners cannot claim CCA on property the partnership owns.

From the capital cost of depreciable property, subtract any investment tax credit allocated to the individual partners. We consider this allocation to be made at the end of the partnership's fiscal period. You must also reduce the capital cost by any type of government assistance received. Box 040 of your slip, Form T5013, *Statement of Partnership Income* shows the amount of CCA the partnership claimed on your behalf. This amount has already been deducted from your business income in box 116 of the T5013 slip. Do not deduct this amount again.

For more information on CCA and the adjustments to capital cost, see Chapter 4.

Any recapture of CCA or terminal loss on the sale of a partnership's depreciable property is included in the partnership's income or loss for the year that is allocated to the partners. Any taxable capital gain on the sale of a partnership's depreciable property is also allocated to the partners.

For more information about capital gains and losses, as well as recapture and terminal losses, see Chapter 4.

Eligible capital expenditures

A partnership can own eligible capital property and deduct an annual allowance. Any income from the sale of eligible capital property owned by the partnership is income of the partnership. Under certain conditions, a partnership can elect to, in effect, recognize a capital gain on the disposition of eligible capital property as if the property were ordinary non-depreciable capital property. For more information, see "Election" in Chapter 5 and Guide T4068, *Guide for the Partnership Information Return (T5013 Forms)*.

GST/HST rebate for partners

If you are an individual who is a member of a partnership, you may be able to get a rebate for the GST/HST you paid on certain expenses. The rebate is based on the GST/HST you paid on expenses you deducted from your share of the partnership income on your income tax return. However, special rules apply if your partnership paid you an allowance for those expenses.

As an individual who is a member of a partnership, you may qualify for the GST/HST partner rebate if:

- the partnership is a GST/HST registrant; and
- you personally paid GST/HST on expenses that:
  - you did not incur on behalf of the partnership; and
  - you deducted from your share of the partnership income on your income tax return.

However, special rules apply if the partnership reimbursed you these costs.

We base the rebate on the amount of the expenses subject to GST/HST you deducted on your income tax return. Examples of expenses subject to GST/HST are vehicle costs and certain business-use-of-home expenses.

You can also get a GST/HST rebate calculated on the CCA you claimed on certain types of property. For example, you can claim CCA for a vehicle you bought to earn partnership income if you paid GST/HST when you bought it.

Use the "Other amounts deductible from your share of net partnership income (loss)" chart of Form T2121, *Statement of Fishing Activities*, to claim expenses for which the partnership did not reimburse you or any other deductible amounts.

For more information, see "Line 9943 – Other amounts deductible from your share of net partnership income (loss)" on page 26.

> **Note**
> Enter the amount of the GST/HST rebate for partners that relates to eligible expenses other than CCA at line 9974 of Form T2121. In Area A of Form T2121, reduce the UCC for the beginning of 2016 by the portion of the rebate that relates to the eligible CCA.

For more information about the GST/HST rebate, see Guide RC4091, *GST/HST Rebate for Partners*, which includes Form GST370, *Employee and Partner GST/HST Rebate Application*.

Investment tax credit (ITC)

An investment tax credit (ITC) lets you subtract part of the cost of some types of property you acquired or expenditures you incurred from the taxes you owe. You may be able to claim this tax credit in 2015 if you acquired qualifying property, incurred qualifying expenditures, or were allocated renounced Canadian exploration expenses. You may also be able to claim this tax credit in 2015 if you have unused ITCs from previous years. For more information about ITCs, see Form T2038(IND), *Investment Tax Credit (Individuals)*.

Chapter 2 – Income from fishing

Sole proprietorships

If you are a sole proprietor of a fishing business, fill in all of the applicable areas and lines on Form T2121, *Statement of Fishing Activities*.

Partnerships

The details of your fishing activities you have to give us depend on the type of partnership you are in. If you are a partner in a partnership that **has** to file a partnership information return, fill in Form T2121 as follows:

- Fill in the "Identification" section.
- Enter the amount from box 126 (or box 103 if a limited partnership) of your T5013 slip at amount c of Form T2121.
- Fill in the "Other amounts deductible from your share of net partnership income (loss)" chart to claim any expenses for which the partnership did not reimburse you or other amounts you may be able to deduct. Also, fill in the "Calculating business-use-of-home expenses" chart if it applies to you. For more information, see "Line 9945 – Business-use-of-home expenses" on page 26.
- Enter your share of the net income or loss from the fishing business at line 9946, "Your net income (loss)." If you did not make any adjustments to the amount in box 126 (or box 103 if a limited partnership) of your T5013 slip, the amount you enter at line 9946 will be the same as the amount you entered at amount c.

If you are a partner in a partnership that does **not** have to file a partnership information return, fill in Form T2121 as follows:

- Fill in the "Identification" section.
- Fill in the "Income" section to report the partnership's business income.
- Fill in the "Net income (loss) before adjustments" section.
- Fill in the "Other amounts deductible from your share of net partnership income (loss)" chart to claim any expenses for which the partnership did not reimburse you or any other amounts you may be able to deduct. Also, fill in the "Calculating business-use-of-home expenses" chart if it applies to you. For more information, see page 26.
- Fill in the "Details of other partners" chart.

To see if your partnership has to file a partnership information return, see "Filing requirements for partnerships" on page 11.

How to fill in Form T2121, *Statement of Fishing Activities*

In the middle of this guide, you will find two copies of Form T2121, *Statement of Fishing Activities*. This form can help you calculate your income and expenses for income tax purposes. We encourage you to use it; however, we will continue to accept other types of financial statements.

You have to fill in a separate form for **each** business you operate. For more information about the tax consequences of operating more than one business, see the latest archived Interpretation Bulletin IT-206R, *Separate Businesses*.

File your completed Form T2121 with your income tax return.

Identification

Fill in all the lines that apply to your fishing business.

Enter your Program account number (15 characters), assigned by the CRA, in the appropriate area.

Indicate the period your business year covered, which is your fiscal period. For an explanation of fiscal period, see page 6.

Enter the name and the vessel registration number (VRN) given by Fisheries and Oceans Canada of your boat. If your boat has no formal name, enter the VRN only.

Indicate the main species you caught or fished for in your fishing business.

Enter the **industry code** that best describes your fishing activity. If more than 50% of your fishing business involved one specific activity, choose the code that identifies that main activity. However, if your fishing operation involved more than one type of fishing activity, and none of these makes up more than 50% of your fishing business, choose the appropriate combination fishing code from the list.

The following is a list of codes that apply to fishing activities:

- 114113 Salt Water Fishing
- 114114 Inland Fishing
- 112510 Aquaculture (incl. algae and seaweed farming)

For a fishing partnership, identify your percentage of the partnership and enter the 9-digit Partnership business number from the T5013 slip you received, if applicable.

Enter the name and address of the person or firm that prepared your Form T2121.

If you have a tax shelter, enter the identification number in the appropriate box.

If you are claiming a deduction or losses for 2015, attach to your income tax return any applicable T5003 slip, *Statement of Tax Shelter Information*, and a completed Form T5004, *Claim for Tax Shelter Loss or Deduction*. For more information on tax shelters, go to **www.cra.gc.ca/taxshelters**.

> **Note**
> The identification number issued for this tax shelter must be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not, in any way, confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter.

> **Tax tip**
> For more information about protecting yourself against tax schemes, go to **www.cra.gc.ca/alert**.

Internet business activities

You may earn income from your webpages or websites:

- by selling goods and services on your own page(s) or site(s). You may have a shopping cart and process payment transactions yourself or using a third party service.
- if your site does not support transactions but your customers call, fill in and submit a form, or email you to make a purchase order, booking, etc.
- by selling goods and services on auction, marketplace or similar sites operated by others.
- if earning income from advertising, income programs or traffic your site generates. This would include:
  - static advertisements placed on your site for other businesses;
  - affiliate programs;
  - advertising programs such as GoogleAdSense or Microsoft adCentre; or
  - Other types of traffic programs.

Enter the number of webpages and websites your business earns income from.

Enter the address(es) of your page(s) and site(s) in the fields provided. If you have more than five sites, enter the addresses of those generating the most internet income.

If you don't have a website but you have created a profile or other page describing your business on blogs, auction, market place or any other portal or directory site(s), then enter the address(es) of the page(s) if they generate income.

Enter the percentage of Internet generated income. If you do not know the exact percentage, provide an estimate.

Fishing income

This section explains how to fill in the "Income" area of Form T2121.

T4 slip, *Statement of Remuneration Paid*

An employed fisher's income must be reported on a T4 slip. If you employ fishers, see the RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

As a fisher, you may have received a T4 slip that shows your fishing income. Since your T4 slip may not show all of your fishing income for the year, you should keep a detailed record of all your fishing income. Enter on Form T2121 the income you received in your 2015 fiscal period.

Your T4 slip also shows the amount of income tax that has been deducted from your fishing income for the calendar year.

However, if your fiscal period ended on a date other than December 31, enter on line 437 of your income tax return **one** of these amounts:

- the total tax deducted for the year, as shown on your T4 slip; or
- the part of the tax deducted for your 2015 fiscal period (in 2016, you claim the amount that remains).

In either case, include your T4 slip with your 2015 income tax return.

If you are claiming income tax that was deducted from a 2014 T4 slip, attach a note to your 2015 income tax return telling us you are doing this.

You can choose to have tax deducted at the rate of 20% on an amount you will receive from a catch. To do this, fill in Form TD3F, *Fisher's Election to Have Tax Deducted at Source*, which you and the buyer of the catch or the designated employer have to sign.

Fish products

Include all amounts you received from the sale of fish, lobster, scallops, and so on. If you sell on the high seas, report the amount you received in Canadian dollars. Use the exchange rate in effect at the time you sold the fish. If you sell at various times in the year, use an average rate.

Other marine products

Include all amounts you received from the sale of Irish moss, herring scales, herring roe, seal meat and flippers, seaweed, kelp, roe on kelp, and so on.

Grants, credits, and rebates

You should subtract from the applicable expense any grant, credit, or rebate you received, and enter the net figure on the appropriate line on Form T2121. For more information, see "Grants, subsidies, and rebates" on page 35.

Subsidies

Include the income you received during your 2015 fiscal period from all fishing subsidy programs made to fishers under federal, provincial, territorial, municipal, or joint programs.

Compensation for loss of fishing income or property

You may have received insurance proceeds for property that was lost or destroyed. If you previously deducted the cost of the property as an expense, include the amount of the proceeds in your fishing income. This also includes any amounts you may have received for lost or destroyed nets and traps you included in inventory. Also include on this line compensation you received for loss of income, such as payments from the Fisheries Restructuring and Adjustment Program.

Compensation for lost or destroyed capital property, such as a fishing boat, equipment, or nets and traps you capitalize, are proceeds of disposition for the property. Therefore, you have to deduct the proceeds from the UCC of the class to which the property belongs. For more information, see Chapter 4.

Other income

You may have other types of fishing income that are not listed on Form T2121. Show this income on the "Other income" line. Below, we have listed some of the more common types of other income.

Paying debts with part of a catch

You may have bought property or paid off a debt with fish or other catch instead of money. In this case, include in your income the **FMV** (see "Definitions" on page 5) of the fish or other catch.

You may have paid off a business expense with fish or other catch. If you did this, include in income the FMV of the fish or other catch. Then you can deduct as an expense the FMV of that fish or other catch.

Sale of property

The tax treatment of the proceeds of disposition from a sale depends on the type of property you sold.

For instance, if you sold capital property, you may have to include in your income a capital gain and a recapture of CCA, or you may be able to deduct a terminal loss. For more information, see Chapter 4.

On the other hand, you may have sold an item you deducted as an expense, such as small tools. In this case, include the proceeds of disposition for the tools in your income.

However, if you sold a fishing boat and the sale price includes other items such as a fishing licence, nets, or traps, you have to divide the proceeds of disposition among the items. You and the buyer should try to reach an agreement on the price for each item.

> **Note**
> It has become a standard industry practice to pay amounts to existing licenceholders to relinquish their fishing licence if the licenceholder recommends to Fisheries and Oceans Canada (FOC) that a replacement licence be issued to a specific individual and that particular individual is granted a new licence. It is common industry terminology to refer to this exercise as "selling" or "buying" a licence.

Example
Richard sold his fishing boat, licences, and so on to Stacey for $32,500. Richard and Stacey agree on how to divide the proceeds of disposition. To determine how to treat each item, they set up this chart:

Item	Amount	Tax treatment
Fishing boat	$20,000	**Richard** deducts whichever is less: the proceeds of disposition (net of disposition costs) or the capital cost from the class. Richard may also have a capital gain as well as a recapture of CCA, or a terminal loss. See Chapter 4. **Stacey** adds the amount to the class. See Chapter 4 for details on CCA.
Nets and traps	7,000	**Richard** includes the amount in his income if he inventories his nets and traps, or he includes the amount as proceeds of disposition if he capitalizes his nets and traps. He may also have a capital gain as well as a recapture of CCA, or a terminal loss. See Chapter 4. **Stacey** sees "Line 9137 – Nets and traps" on page 21.
Fishing licences	5,000	**Richard** and **Stacey** see Chapter 5 for information on eligible capital expenditures.
Hooks, lines, etc.	500	**Richard** includes this amount in his income. **Stacey** deducts this amount as an expense.
Total	$32,500	

Income from related activities

Report other income you received that is not on your T4 slip or elsewhere on Form T2121. Some examples of other income are incomes you received working as a captain, engineer, first mate, or cook.

An owner may have paid you wages and let you keep part of a catch. In this case, include the wages on the appropriate line of your income tax return and the balance received as "Other income" on Form T2121.

If you are a resident of Canada and fish on a foreign vessel, include in your income any amount you received as wages or as your share of the catch. Report the amount you received in Canadian dollars.

Sharesperson income

Report the income you received as a sharesperson. Also, write down the name of the fishing boat and captain.

Line 8299 – Gross income

Gross fishing income is your total fishing income before you deduct expenses. Enter your gross fishing income on line 170 of your income tax return.

Chapter 3 – Expenses

This chapter discusses the more common expenses you might incur to earn income from your business activities. Incur means you paid or will pay the expense.

Who can claim expenses?

If you are a self-employed fisher, you can deduct certain amounts you spent to earn fishing income. For the definition of self-employed fisher, see "Is this guide for you?" on page 2. If you use the cash method of reporting income and expenses, you can only deduct expenses you paid in the year. If you are using the accrual method, you can deduct expenses had during the year, whether you paid them or not. There are special rules for deducting prepaid expenses. These rules are explained on page 16.

> **Note**
> When you claim the GST/HST you paid on your fishing expenses as an input tax credit, reduce the amounts of the expenses to which the credit relates by the amount of the input tax credit. Do this when the GST/HST for which you are claiming the input tax credit was paid or became payable.

"**Enter business part only**" on Form T2121, means any of the following are not included as part of your expenses:

- salary, wages, (including drawings) paid to self, partner(s) or both;
- the cost of saleable goods or services you, your family, or your partners and their families used or consumed;
- donations to charities and political contributions;
- interest and penalties you paid on your income tax;
- most life insurance premiums;
- the part of any expenses that can be attributed to non-business use of property; and
- most fines and penalties imposed, under a law of Canada or a province or foreign country.

Fishing boat owners

As a fishing boat owner, you can deduct all the expenses you had for each trip. This includes the expenses to calculate the crewshares.

You may be able to deduct expenses when you used your home for business purposes. You may also be able to deduct the cost to travel between your home and the fishing boat. However, to deduct either of these expenses, you have to meet certain conditions. We explain these conditions on "Line 9945 – Business-use-of-home expenses"

on page 26 and “Line 9281 – Motor vehicle expenses” on page 19.

You can also deduct other expenses you paid to earn fishing income, as well as CCA on property you owned and used to earn fishing income. We explain CCA in Chapter 4.

Captains of fishing boats

As the captain of a fishing boat, you can deduct expenses for which the owner did not pay or reimburse you. These expenses include the cost of personal navigation aids and rubber gear. You can also deduct motor vehicle expenses you paid to transport crew members and to get supplies and parts to use on the boat. You may be able to deduct business-use-of-home expenses and the cost of travel between your home and the fishing boat if you meet certain conditions. For more information, see “Line 9281 – Motor vehicle expenses” on page 19 and “Line 9945 – Business-use-of-home expenses” on page 26.

Sharespeople

As a sharesperson, your income is the amount you received after you deducted all trip expenses from the sale of the catch. Therefore, you can only deduct the expenses you paid for rubber gear, gloves, and knives you used on the fishing boat. You cannot deduct the cost to travel between your home and the fishing boat since we consider these expenses to be personal.

> **Note**
> Fishing boat owners, captains, and sharespeople cannot duplicate expenses. For example, if the owner deducted expenses for fuel, food, and ice, a captain cannot deduct the same expenses.

Use of a fishing boat mainly for personal use

You may have used a fishing boat mainly for personal use, but sometimes caught a small amount of fish to sell. In this case, you can deduct expenses and CCA. However, the amount you deduct cannot be more than your income from the catch.

GST/HST input tax credits

If you claim the GST/HST you paid on your fishing business expenses as an input tax credit, reduce the amounts of the business expenses you show on Form T2121 by the amount of the input tax credit. Do this when the GST/HST for which you are claiming the input tax credit was paid or became payable. Enter the net expense figure on the proper line on Form T2121.

Input tax credits you claim for the purchase of depreciable property used in your business will affect your claim for CCA. If you cannot apply the credit you received to reduce a particular expense, or to reduce an asset’s capital cost, include the amount as income on the line “Grants, credits, and rebates” of Form T2121.

For more information on how the input tax credit for registrants will affect your CCA claim, see “Column 2 – Undepreciated capital cost (UCC) at the start of the year” on page 29.

Prepaid expenses

A prepaid expense is an expense you pay for ahead of time. Under the **accrual method** of accounting, claim the expense you prepay in the year or years in which you get the related benefit.

Under the **cash method** of accounting, you cannot deduct a prepaid expense amount (other than for inventory) for a tax year that is two or more years after the year you paid the expense. However, you can deduct the part of an amount you paid in a previous year for benefits received in the current tax year. These amounts are deductible as long as you have not already deducted them.

For example, if you paid $600 for a three-year service contract for office equipment in 2015, you can deduct $400 in 2015. This represents the part of the expense that applies to 2015 and 2016. On your 2017 income tax return, you could then deduct the balance of $200 for the part of the prepaid service contract that applies to 2017.

For more information, see the latest archived Interpretation Bulletin IT-417R2, *Prepaid Expenses and Deferred Charges*.

Grants, credits, and rebates

Subtract, from the applicable expense, any grant, credit, or rebate you received. Enter the net figure on the appropriate line of Form T2121.

If you cannot apply the grant, credit, or rebate you received to reduce a particular expense or to reduce an asset’s capital cost, include the total on the line “Grants, credits, and rebates” in the income area on Form T2121.

Current or capital expenses

Renovations and expenses that extend the useful life of your property or improve it beyond its original condition are usually capital expenses. However, an increase in a property’s market value because of an expense is not a major factor in determining whether the expense is capital or current. To determine whether an amount is a current expense or a capital expense, consider your answers to the questions in the following chart.

Current or capital expenses		
Criteria	**Capital expenses**	**Current expenses**
Does the expense provide a lasting benefit?	A capital expense generally gives a lasting benefit or advantage. For example, the cost of putting vinyl siding on the exterior walls of a wooden house is a capital expense.	A current expense is one that usually recurs after a short period. For example, the cost of painting the exterior of a wooden house is a current expense.
Does the expense maintain or improve the property?	The cost of a repair that improves a property beyond its original condition is probably a capital expense. If you replace wooden steps with concrete steps, the cost is a capital expense.	An expense that simply restores a property to its original condition is usually a current expense. For example, the cost of repairing wooden steps is a current expense.
Is the expense for a part of a property or for a separate asset?	The cost of replacing a separate asset within that property is a capital expense. For example, the cost of buying a compressor for use in your business operation is a capital expense. This is the case because a compressor is a separate asset, and is not a part of the building.	The cost of repairing a property by replacing one of its parts is usually a current expense. For instance, electrical wiring is part of a building. Therefore, an amount you spend to rewire is usually a current expense, as long as the rewiring does not improve the property beyond its original condition.
What is the value of the expense? (Use this test only if you cannot determine whether an expense is capital or current by considering the three previous tests.)	Compare the cost of the expense to the value of the property. Generally, if the cost is of considerable value in relation to the property, it is a capital expense.	This test is not a determining factor by itself. You might spend a large amount of money for maintenance and repairs to your property all at once. If this cost was for ordinary maintenance that was not done when it was necessary, it is a maintenance expense, and you deduct it as a current expense.
Is the expense for repairs to used property you acquired to put it in suitable condition for use?	The cost of repairing used property you acquired to put it in a suitable condition for use in your business is considered a capital expense even though in other circumstances it would be treated as a current operating expense.	Where the repairs were for ordinary maintenance of a property you already had in your business, the expense is usually current.
Is the expense for repairs made to an asset in order to sell it?	The cost of repairs made in anticipation of selling a property, or as a condition of sale, is regarded as a capital expense.	Where the repairs would have been made anyway, but a sale was negotiated during the course of the repairs or after their completion, the cost is regarded as current.

For more information, see "Chapter 4 – Capital cost allowance (CCA)" and the latest archived Interpretation Bulletin IT-128R, *Capital Cost Allowance – Depreciable Property*.

You cannot claim expenses you incur to buy capital property. However, as a rule, you can deduct any reasonable current expense you incur to earn fishing income. The deductible expenses include any GST/HST you incur on these expenses less the amount of any input tax credit claimed. Also, since you cannot deduct personal expenses, enter only the business part of expenses on Form T2121.

Note
When you claim the GST/HST you paid on your business expenses as an input tax credit, reduce the amounts of the business expenses you show on Form T2121 by the amount of the input tax credit. Do this when the GST/HST for which you are claiming the input tax credit was paid or became payable. Similarly, subtract any rebate, grant, or assistance from the expense to which it applies. Enter the net figure on the proper line. Any such assistance you claim for the purchase of depreciable property used in your business will affect your claim for CCA.

Line 9138 – Bait, ice, salt

Enter the amount you paid for bait, ice, and salt used for your fishing business.

Line 9062 – Crew shares

Enter the total amount of each crew member's share of the catch. You will find these amounts on the trip settlement sheets.

Line 9224 – Fuel and oil costs (except for motor vehicles)

Enter the amounts you paid for fuel and oil for your fishing boat and equipment. If you used a car or truck for your fishing business, see "Line 9281 – Motor vehicle expenses" on page 19. The cost of fuel related to business use of work space in your home has to be claimed at line 9945, "Business-use-of-home expenses." For more information, see page 26.

Line 9136 – Gear

Enter the amount you paid for gear. This includes knives, small assorted supplies, gloves, and rubber or oilskin clothing you used in your fishing business.

Line 8690 – Insurance

Enter the premiums you paid to insure your fishing boat and equipment.

In most cases, you cannot deduct your life insurance premiums. However, if you use your life insurance policy as collateral for a loan related to your fishing business, you may be able to deduct a limited part of the premiums you paid. For more information, see the latest archived Interpretation Bulletin IT-309R2, *Premiums on Life Insurance Used as Collateral*.

In most cases, you cannot deduct the amounts you paid to insure personal property such as your home or car. However, if you used the property for personal use and for your fishing business, you can deduct the business part of these costs. For more information, see "Line 9281 – Motor vehicle expenses" on page 19 and "Line 9945 – Business-use-of-home expenses" on page 26.

Line 8710 – Interest

You can deduct interest you had on money borrowed for fishing business purposes or to acquire property for fishing business purposes.

However, there are limits on the interest you can deduct on money you borrow to buy a passenger vehicle. For more information, see "Line 9281 – Motor vehicle expenses" on page 19.

You can deduct interest you paid on any real estate mortgage you had to earn fishing income, but you cannot deduct the principal part of loan or mortgage payments. Do not deduct interest on money you borrowed for personal purposes or to pay overdue income taxes.

You may be able to deduct interest expenses for a property you used for fishing business purposes, even if you have stopped using the property for such purposes because you are no longer in the fishing business. For more information, call **1-800-959-5525**.

Line 8523 – Food

The maximum amount you can claim for food, beverages, and entertainment expenses is 50% of either the amount you have or an amount that is reasonable in the circumstances, whichever is less. However, special rules can affect your claim for meals.

Claim the total amount you paid for food you stocked on your boat to feed your crew when you fished offshore.

Often, inshore fishers do not stock food. Instead, they bring meals from home for their crew because the trips are short (leave home early in the morning and come back late in the afternoon). You can deduct the cost of these meals as long as the meals were a taxable benefit to your crew.

In some cases, you can deduct the cost of meals even though they were not taxable benefits. You can do this if your boat was at sea for 36 hours or more and the meals you provided for your crew were not taxable benefits. Also, if you gave meals to your sharespeople, generally the meals you provided for them are not taxable benefits because we do not consider sharespeople to be employees. The 50% rule applies to all self-employed sharespeople. However, they may be limited by the restriction noted above.

For more information about taxable benefits, see the T4130, *Employer's Guide – Taxable Benefits and Allowances*. Also see the latest archived Interpretation Bulletin IT-91R4, *Employment at Special Work Sites or Remote Work Locations*.

Line 8760 – Licences

Enter the total cost to renew your annual licences. If you bought a licence from another fisher, you can only deduct part of the cost each year. For details on eligible capital expenditures, see Chapter 5.

If you bought a fishing boat and the price included the cost of a licence, you need to know what part of the

price was for the licence and what part was for the boat. Try to agree on these amounts with the seller. See the example on page 15.

Line 9281 – Motor vehicle expenses (not including CCA)

You can deduct expenses you incur to run a motor vehicle you use to earn fishing income. Fill in "Chart A – Motor Vehicle Expenses" of Form T2121. The chart will help you calculate the amount of motor vehicle expenses you can deduct. If you are a partner in a business partnership and you incur motor vehicle expenses for the business through the use of your personal vehicle, you can claim those expenses related to the business on "Line 9943 – Other amounts deductible from your share of net partnership income (loss)" of Form T2121. For more information, see page 26.

Keeping records

You can deduct motor vehicle expenses only when they are reasonable and you have receipts to support them. To receive the full benefit of your claim for each vehicle, keep a record of the total kilometres you drive and the kilometres you drive to earn fishing income. For each business trip, list the date, destination, purpose, and number of kilometres you drive. Record the odometer reading of each vehicle at the start and end of the fiscal period.

If you change motor vehicles during the fiscal period, record the dates of the changes and the odometer readings when you buy, sell, or trade the vehicles.

Simplified logbook for motor vehicle expense provisions

Following a Federal initiative to reduce the paper burden on businesses, you can choose to maintain a full logbook for one complete year to establish a base year's business use of a vehicle.

After one complete year of keeping a logbook to establish the base year, you can use a three month sample logbook to extrapolate business use for the entire year, as long as the usage is within the same range (within 10%) of the results of the base year. Businesses will have to show that the use of the vehicle in the base year remains representative of its normal use.

For more information about the sample logbook policy, go to **www.cra.gc.ca/autolog**.

What type of vehicle do you own?

The kind of vehicle you own can affect the expenses you can deduct. For income tax purposes, there are two definitions of vehicles (see "Definitions" on page 5) you should know about. They are:

- motor vehicles; and
- passenger vehicles.

If you own or lease a passenger vehicle, there may be a limit on the amounts you can deduct for CCA, interest, and leasing costs. We explain the CCA limits in Chapter 4. You will find the limits on interest and leasing costs later in this section.

The following chart will help you to determine if you have a motor vehicle or a passenger vehicle. The chart does not cover every situation, but it gives some of the main definitions for vehicles bought or leased and used to earn business income.

Vehicle definitions			
Type of vehicle	**Seating (includes driver)**	**Business use in year bought or leased**	**Vehicle definition**
Coupe, sedan, station wagon, sports car, or luxury car	1 to 9	1% to 100%	passenger
Pick-up truck used to transport goods or equipment	1 to 3	more than 50%	motor
Pick-up truck (other than above)	1 to 3	1% to 100%	passenger
Pick-up truck with extended cab used to transport goods, equipment, or passengers	4 to 9	90% or more	motor
Pick-up truck with extended cab (other than above)	4 to 9	1% to 100%	passenger
Sport utility vehicle used to transport goods, equipment, or passengers	4 to 9	90% or more	motor
Sport utility vehicle (other than above)	4 to 9	1% to 100%	passenger
Van or minivan used to transport goods or equipment	1 to 3	more than 50%	motor
Van or minivan (other than above)	1 to 3	1% to 100%	passenger
Van or minivan used to transport goods, equipment, or passengers	4 to 9	90% or more	motor
Van or minivan (other than above)	4 to 9	1% to 100%	passenger

Deductible expenses

The types of expenses you can claim on line 9281 include:

- licence and registration fees;
- fuel costs;
- insurance;
- interest on money borrowed to buy a motor vehicle;
- maintenance and repairs; and
- leasing costs.

You can also claim CCA, but you enter this amount on line 9936. For more information about CCA, see Chapter 4.

Business use of a motor vehicle

If you use a motor vehicle for business and personal use, you can deduct only the part of the expenses you paid to earn income. However, you can deduct the full amount of parking fees related to your business activities and supplementary business insurance for your motor vehicle. Fishing business use includes trips to pick up parts or boat supplies, and to deliver fish to markets. It also includes driving to and from the fishing boat if your home is your main place of business. To determine if you use your home as your main place of business, see "Line 9945 – Business-use-of-home expenses" on page 26.

To support the amount you can deduct, keep a record of the total kilometres you drive and the kilometres you drive to earn income.

Example

Amy's fishing business has a December 31 year-end. She owned a truck that was not a passenger vehicle. She used the truck to carry nets and other equipment. Amy wrote down the following for her 2015 fiscal period:

Fishing business kilometres	27,000 km
Total kilometres	30,000 km

Expenses:

Gasoline and oil	$3,500
Interest (on loan to buy truck)	$1,900
Insurance	$1,000
Licence and registration fees	$ 100
Repairs and maintenance	$ 500
Total expenses for the truck	$7,000

This is how Amy determines the motor vehicle expenses she can deduct in her 2015 fiscal period:

$$\frac{27{,}000 \text{ (business kilometres)}}{30{,}000 \text{ (total kilometres)}} \times \$7{,}000 = \$6{,}300$$

Amy can deduct $6,300 as motor vehicle expenses on line 9281 of Form T2121.

Joint ownership of a passenger vehicle

If you and another person own or lease a passenger vehicle, the limits on CCA, interest, and leasing costs still apply. As a joint owner, the total amount you or any other owners deduct cannot be more than the amount one person owning or leasing the vehicle could deduct.

More than one vehicle

If you used more than one motor vehicle for your fishing business, for each vehicle keep a separate record that shows the total personal-use kilometres and fishing business kilometres you drive, as well as the cost to run and maintain each vehicle. Calculate each vehicle's expenses separately.

For more information, see the latest archived Interpretation Bulletin IT-521R, *Motor Vehicle Expenses Claimed by Self-Employed Individuals*.

Interest

You can deduct interest on the money you borrow to buy a motor vehicle, or passenger vehicle you use to earn fishing income. Include the interest as an expense when you calculate your allowable motor vehicle expenses.

When you use a passenger vehicle to earn income, there is a limit on the amount of interest you can deduct. To calculate the amount of interest you can deduct, fill in "Chart B – Available interest expense for passenger vehicles" of Form T2121.

Example

Russ's fishing business has a December 31 year-end. On January 1, 2015, he bought a new passenger vehicle that he uses for both personal and business use. He borrowed money to buy the vehicle, and the interest he paid in his 2015 fiscal period was $2,200.

Since the car that Russ bought is a passenger vehicle, there is a limit on the interest he can deduct. Russ's available interest is the lesser of:

- $2,200 (the total interest he paid in his 2015 fiscal period); or
- $3,650 ($10 × 365 days).

Russ's records for his 2015 fiscal period:

Fishing business kilometres	20,000 km
Total kilometres	25,000 km

Expenses:

Gasoline and oil	$2,000
Interest (on loan to buy vehicle)	$2,200
Insurance	$1,900
Licence and registration	$ 60
Repairs and maintenance	$1,000
Total vehicle expenses	$7,160

Russ determines the motor vehicle expenses he can deduct in his 2015 fiscal period:

$$\frac{20{,}000 \text{ (fishing business kilometres)}}{25{,}000 \text{ (total kilometres)}} \times \$7{,}160 = \$5{,}728$$

Russ can deduct $5,728 as motor vehicle expenses for his 2015 fiscal period.

Leasing costs for a passenger vehicle

You can deduct amounts you incur to lease a motor vehicle you use to earn fishing income. Include these amounts on line 9281.

When you use a passenger vehicle to earn fishing business income, there is a limit on the amount of the leasing costs you can deduct. To calculate your eligible leasing costs, fill in "Chart C – Eligible leasing costs for passenger vehicles" of Form T2121.

If the lease agreement for your passenger vehicle includes such items as insurance, maintenance, and taxes, include them as part of the lease charges on line 1 of Chart C.

> **Note**
> Generally, leases include taxes (GST/HST or PST), but not items such as insurance and maintenance. You have to pay these amounts separately. Include the taxes on line 1 of Chart C, and list the items such as insurance and maintenance on the appropriate lines of "Chart A – Motor vehicle expenses."

For your 2015 fiscal period, use the GST rate of 5% or the HST rate of your specific province to fill in Chart C.

The following example shows how to calculate the eligible leasing costs. Use Chart C of Form T2121, to help you understand the following example.

Example
On July 1, 2015, Meadow started leasing a car that is a passenger vehicle. She used the car to earn fishing income. Her business has a December 31 fiscal year-end. The PST rate for her province is 8% and GST is 5%. Meadow entered the following for 2015:

Monthly lease payment	$ 500
Lease payments for 2015	$ 3,000
Manufacturer's suggested list price	$33,000
Number of days in 2015 she leased the car	184
GST and PST on $30,000	$ 3,900
GST and PST on $35,294	$ 4,588
GST and PST on $800	$ 104

Total lease charges incurred in 2015 fiscal period for the vehicle	$ 3,000	1
Total lease payments deducted in fiscal periods before 2015 for the vehicle	$ 0	2
Total number of days the vehicle was leased in 2015 and previous fiscal periods	184	3
Manufacturer's list price	$33,000	4
The amount on line 4 or $39,882 ($35,294 + $4,588), whichever is more $39,882 × 85%	$33,900	5
($904 × 184) ÷ 30	$ 5,545	6
($33,900 × $3,000) ÷ $33,900	$ 3,000	7

Meadow's eligible leasing cost is either line 6 or 7, whichever amount is **less**. In this case, her allowable claim is $3,000.

Repayments and imputed interest

When you lease a passenger vehicle, you may have a repayment owing to you, or you may have imputed interest. If so, you will not be able to use the chart.

Imputed interest is interest that would be owing to you if interest were paid on the money you deposited to lease a passenger vehicle. Calculate imputed interest for leasing costs on a passenger vehicle only if **all** of the following apply:

- one or more deposits were made for the leased passenger vehicle;
- one or more deposits are, refundable; and
- the total of the deposits is more than $1,000.

For more information, see the latest archived Interpretation Bulletin IT-521R, *Motor Vehicle Expenses Claimed by Self-Employed Individuals*.

Line 8810 – Office expenses

You can deduct the cost of office expenses. These include small items such as pens, pencils, paper clips, stationery, and stamps. Office expenses do not include items such as calculators, filing cabinets, chairs, and desks. These are capital items.

Line 9137 – Nets and traps

Nets and traps include lines, hooks, buoys, anchors, and radar reflectors.

Generally, you cannot deduct the entire cost of nets and traps you bought in the year. Instead, there are two methods you can use to deduct these costs.

Method 1 – Capital cost allowance (CCA) method

Capitalize the cost of nets and traps and claim CCA. See Chapter 4 for details on CCA.

Method 2 – Inventory method

Include in inventory the cost of nets and traps and deduct the loss in value, as shown in the following example:

Example

Value of nets, traps, twine, etc., on hand at the end of your 2014 fiscal period		$ 750
Add: Cost of nets and traps you bought in your 2015 fiscal periods	$200	
Cost of twine and other net and trap materials you bought in your 2015 fiscal period (do not include the value of your own labour)	$125	$ 325*
Subtotal		$1,075
Minus: Value of nets, traps, twine, etc., on hand at the end of your 2015 fiscal period	$700**	
Proceeds from the sale of nets, traps, twine, etc.	$150	$ 850
Loss on nets and traps		$ 225

* If you use the inventory method, do not deduct this amount as an expense.

** The value of nets and traps on hand is the amount you would receive if you sold them to another fisher who was not related to you.

If you just started fishing, choose one of the two methods. If you have been fishing for several years and each year you claim the cost of replacing nets and traps, you can keep on doing so. However, you can choose to change to either the CCA or the inventory method. If you choose to do this in 2015, the value of nets and traps on hand at the end of 2014 will be zero since you have deducted their value in previous years.

You can change from the inventory method to the CCA method. However, you cannot change from the CCA method to the inventory method.

Line 8860 – Legal, accounting, and other professional fees

Deduct the fees you had for external professional advice or services, including consulting fees.

You can deduct accounting and legal fees you have to get advice and help in keeping your records. You can also deduct fees you have for preparing and filing your income tax and GST/HST returns.

You can deduct accounting or legal fees you paid to have an objection or appeal prepared against an assessment for income tax, Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) contributions, or Employment Insurance (EI) premiums. However the full amount of these deductible fees must first be reduced by any reimbursement of these fees you have received. Report the difference on line 232 of your income tax return.

If you received a reimbursement in 2015 for the types of fees you deducted in a previous year, report the amount you received on line 130 of your 2015 income tax return.

You cannot deduct legal and other fees you have to buy capital property, such as a boat or fishing material. Instead, add these fees to the cost of the property. For more information on capital property, see Chapter 5.

For more information, see the latest archived Interpretation Bulletin IT-99R5-CONSOLID, *Legal and Accounting Fees*.

Line 9060 – Salaries, wages, and benefits (including employer's contributions)

You can deduct employees' gross salaries and other benefits you incurred. For more information, see Guide T4005, *Fishers and Employment Insurance*. Do not deduct salaries or drawings paid or payable to yourself or to a partner. For more information, see "Details of equity" on page 27.

The Canada Pension Plan (CPP) is for all workers including the self-employed. Employers, employees, and most self-employed individuals have to contribute to the CPP. The CPP can provide basic benefits when you retire or if you become disabled. When you die, the CPP can provide benefits to your surviving spouse or common-law partner and dependent children under the age of 25. For more information on contributions and benefits, visit the Service Canada website at **www.servicecanada.gc.ca**.

Quebec workers including the self-employed are covered under the Quebec Pension Plan (QPP).

As the employer, you can deduct your part of CPP or QPP contributions, Employment Insurance premiums, Provincial Parental Insurance Plan (PPIP) premiums (the PPIP is an income replacement plan for residents of Quebec—for details, contact Revenu Québec), and worker's compensation amounts payable on employees' remuneration. For information on making payroll deductions, go to **www.cra.gc.ca/payroll**.

You can also deduct any insurance premiums you pay for an employee for a sickness, an accident, a disability, or an income insurance plan.

You can deduct the wages you paid to your child, as long as you meet **all** of these conditions:

- you pay the salary;
- the work your child does is necessary for earning fishing income;
- the salary is reasonable when you consider your child's age and the amount you pay is what you would pay someone else.

Keep documents to support the salary you pay your child. If you pay your child by cheque, keep the cancelled cheque. If you pay cash, have the child sign a receipt.

Instead of cash, you may pay your child with a product from your business. When you do this, claim the value of the product as an expense and add to your gross sales an amount equal to the value of the product. Your child has to include the value of the product in his or her income.

You can also deduct the salary you pay to your spouse or common-law partner. Use the same rules that apply to paying your child.

Report the salaries you pay to your children and spouse or common-law partner on T4 slips, the same as you would for other employees. However, you cannot claim as an expense the value of board and lodging you provide to your dependent children and spouse or common-law partner.

For more information, see Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

Line 8963 – Repairs

Fishing boat

Enter the total amount you paid for the general repairs you needed to keep your fishing boat seaworthy.

The structural improvements and additions you make to your fishing boat are capital expenditures. You have to add these expenditures to the cost of the boat. This will affect your CCA claim on the boat. For details on CCA, see Chapter 4.

If you need more details about capital expenditures, see the latest archived Interpretation Bulletin IT-128R, *Capital Cost Allowance – Depreciable Property*.

Engine

Enter the total amount you paid for all general engine repairs. You can also deduct the cost of an overhaul. However, if you replaced an engine, it is a capital expenditure. Therefore, add the expenditure to the

cost of the boat. This will affect the CCA on the boat. For more information on CCA, see Chapter 4.

Electrical equipment

Deduct the amount you pay for repairs to a LORAN, sounder, radar, ship-to-shore radio, fish finder, and so on.

Line 9270 – Other expenses

There are expenses you can incur to earn fishing income other than those listed on Form T2121. We cover some of them in the following sections. Enter on this line the total of other expenses you incurred to earn income, as long as you did not include them on a previous line. You have to list these expenses on the form.

Disability-related modifications

You can deduct outlays and expenses you incur for eligible disability-related modifications made to a building in the year you paid them, instead of adding them to the capital cost of your building. Eligible disability-related modifications include changes you make to accommodate wheelchairs. For more information, see Guide T4002, *Business and Professional Income*.

Payment in kind

If you made a payment in kind for a fishing business expense, include the FMV of the good or service in income. Deduct the same amount as an expense.

Leasing costs

Deduct the lease payments you incurred in the year for property used in your business. If you lease a passenger vehicle, see "Line 9281 – Motor vehicle expenses" on page 19.

If you entered into a lease agreement, you can elect to treat your lease payments as combined payments of principal and interest. However, you and the person from whom you are leasing have to agree to treat the payments this way. In this case, we consider you:

- bought the property rather than leased it; and
- borrowed an amount equal to the **FMV** of the leased property.

You can deduct the interest part of the payment as an expense. You can also claim CCA on the property.

You can make this choice as long as the property qualified and the total FMV of all the property leased is more than $25,000. For example, a fishing boat leased with a FMV of $35,000 qualifies. However, office furniture and vehicles often do not qualify.

To treat your lease this way, file **one** of these forms with your income tax return for the year you make the lease agreement:

- Form T2145, *Election in Respect of the Leasing of Property*; or
- Form T2146, *Election in Respect of Assigned Leases or Subleased Property*.

Advertising

Deduct the cost of advertising done for your fishing business.

Telephone expenses

Do not deduct the basic monthly rate of your home telephone. However, you can deduct any long distance telephone calls you made on your home telephone for fishing business.

If you have a separate telephone used in your fishing business for business calls only, you can deduct its basic monthly rate.

Computer and other equipment leasing costs

If you lease computers, cellular telephones, fax machines, and other equipment, you can deduct the percentage of the lease costs that reasonably relates to earning your fishing income. You can also deduct the percentage of air-time expenses for a cellular telephone that reasonably relates to earning your fishing income.

If you buy a computer, cellular telephone, fax machine, or other such equipment, you cannot deduct the cost. You can deduct CCA and interest you paid on money you borrowed to buy this equipment that reasonably relates to earning your fishing income. For more information on CCA, see Chapter 4.

Freight and trucking

Deduct the expenses you incurred for delivery, shipping, trucking, and other distribution costs related to your fishing business.

Premiums to a private health services plan (PHSP)

You can deduct premiums paid to a private health services plan (PHSP) if you meet the following conditions:

- your **net income from self-employment** (excluding losses and PHSP deductions) for the current or previous year is more than 50% of your **total income***; or
- your **income from sources other than self-employment**** is $10,000 or less for the current or previous year;
- you are actively engaged in your fishing business on a regular and continuous basis, individually or as a partner; and
- the premiums are paid to insure yourself, your spouse or common-law partner, or any member of your household.

* For the purposes of this claim, calculate your **total income** as follows:

- the amount from line 150 of your 2014 or 2015 income tax return, whichever applies, before you deduct any amounts for PHSPs; **minus**
- the amount you entered on lines 207, 212, 217, 221, 229, 231, and 232 on your 2014 or 2015 income tax return, whichever applies.

** For the purposes of this claim, calculate your income from sources **other** than self-employment as follows:

- the amount from line 150 of your 2014 or 2015 income tax return, whichever applies, before you deduct any amounts for PHSPs; **minus**
- the amount you entered on lines 135, 137, 139, 141, 143 (excluding business losses that reduced the net amount reported on those lines), 207, 212, 217, 221, 229, 231, and 232 of your 2014 or 2015 income tax return, whichever applies.

You cannot claim a deduction for PHSP premiums if another person deducted the amount, or if you or anyone else claimed the premiums as a medical expense. For your premiums to be deductible, your PHSP coverage has to be paid under a contract with one of the following:

- an insurance company;
- a trust company;
- a person or partnership in the business of administering PHSPs;
- a tax-exempt trade union of which you or the majority of your employees are members; or
- a tax-exempt business organization or a tax-exempt professional organization of which you are a member.

For more information on PHSPs, see the latest archived Interpretation Bulletin IT-339R2, *Meaning of 'private health services plan' (1988 and subsequent taxation years)*.

For the purposes of this claim, the following terms apply:

- **Arm's length employees** are, generally, employees who are not related to you and who are not carrying on your business with you, for example, as your partners.
- **Qualified employees** are arm's length, full-time employees who have three months service since they last became employed with a business carried on by you, a business in which you are a majority interest partner, or a business carried on by a corporation affiliated with you. Temporary or seasonal workers are not qualified employees.
- **Insurable persons** are people to whom coverage is extended and who are either:
  - qualified employees;
  - people who would be qualified employees if they had worked for you for three months; or
  - people carrying on your business (including yourself and your partners).

How to calculate your maximum deduction for PHSPs

The following sections explain how to calculate your maximum PHSP deduction based on whether you had employees and whether you insured them throughout the year or for part of the year. Find the section that describes your situation.

Note
All PHSP deduction limits, including calculated limits, must include all applicable taxes as part of the total dollar amount.

If you did not have any employees throughout 2015

Your PHSP deduction is restricted by an annual dollar limit. The limit is a maximum of:

- $1,500 for yourself;
- $1,500 for your spouse or common-law partner and each household member that is 18 years of age or older at the start of the period they were insured; and
- $750 for each household member under the age of 18 at the start of the period.

The maximum deduction is also limited by the number of days that person was insured. Calculate your allowable maximum for the year by using the following formula:

$\frac{A}{365} \times (B + C)$, where:

A is the number of days during the period of the year you insured yourself and your household members, if applicable, but insured less than 50% of your employees;

B equals $1,500 × the number of household members 18 and over insured during that period; and

C equals $750 × the number of household members under the age of 18 insured during that period.

Example 1
Edwin was a sole proprietor who ran his business alone in 2015. He had no employees and did not insure any of his household members. Edwin paid $2,000 for PHSP coverage in 2015. His coverage lasted from July 1 to December 31, 2015 (a total of 184 days).

Edwin's maximum allowable PHSP deduction is calculated as follows:

$\frac{184}{365} \times \$1,500 = \$756$

Even though Edwin paid $2,000 in premiums in 2015, he can only deduct $756 because the annual limit is $1,500 and he was only insured for half of the year. If he had been insured for the entire year, his deduction limit would be $1,500.

Example 2
Bruce was a sole proprietor who ran his business alone in 2015. He had no employees. From January 1 to December 31, he insured himself, his wife, and his two sons. Bruce paid $1,800 to insure himself, $1,800 to insure his wife, and $1,000 for each of his sons. One of his sons was 15 years old and the other turned 18 on September 1. Bruce's PHSP deduction is limited to the following amounts:

- $1,500 for himself;
- $1,500 for his wife;
- $750 for his 15-year-old son; and
- $750 for the son who turned 18. This limit applies because he did not turn 18 until after the insured period began.

If you had employees throughout 2015

If you had at least one **qualified employee** (see the definition on page 24) throughout all of 2015, and at least 50% of the insurable persons in your business were qualified employees, your claim for PHSP premiums is limited in a different way. Your limit is based on the lowest cost of equivalent coverage for each of your qualified employees.

Use the following steps to calculate your maximum allowable claim for the PHSP premiums paid for yourself, your spouse or common-law partner, and your household members.

For each of your qualified employees, calculate the following:

X × Y = Z, where:

X equals the amount you would pay to provide yourself, your spouse or common-law partner, and your household members with coverage equal to that provided to a particular employee, his or her spouse or common-law partner, and household members;

Y equals the percentage of the premium you pay for that particular employee; and

Z equals your limit based on that particular employee.

Example
You have one qualified employee. To provide yourself with coverage equivalent to his or hers, you pay a premium of $1,800. You pay 60% of your employee's premium. Your deduction limit for yourself is $1,080, calculated as follows:

$1,800 (amount X) × 60% (amount Y) = $1,080 (amount Z)

The maximum you can claim is $1,080, if you had only one qualified employee.

If you had more than one qualified employee, you have to do the (X × Y = Z) calculation for each employee. Your limit is then the least amount you calculate for each employee.

Example
You have three qualified employees, Jack, Jill, and Sue. The following table shows how much you would pay for coverage equivalent to each of theirs, and the percentage of each employee's premium you pay.

Name of employee	Cost of equivalent coverage for yourself	% of the employee's premium you pay
Jack	$1,500	20%
Jill	$1,800	50%
Sue	$1,400	40%

You have to do the following three calculations:

Jack: $1,500 (X) × 20% (Y) = $300 (Z)
Jill: $1,800 (X) × 50% (Y) = $900 (Z)
Sue: $1,400 (X) × 40% (Y) = $560 (Z)

Your limit is $300, the least of the amounts calculated for the three employees.

Note
If you have a qualified employee with no coverage, you cannot claim your PHSP premiums as a deduction from self-employment income. However, you may be able to claim them as medical expenses.

If you had employees throughout 2015 but the number of **arm's length** employees you insured was less than 50% of all the insurable persons in your business, your maximum allowable deduction is the **lesser** of the following two amounts:

Amount 1
Determine this amount by using the following formula:

$\frac{A}{365} \times (B + C)$, where:

A is the number of days during the period of the year you insured yourself and your household members, if applicable, but insured less than 50% of your employees;

B equals $1,500 × the number of household members 18 years of age or older insured during that period; and

C equals $750 × the number of household members under the age of 18 insured during that period.

Amount 2
If you had at least one **qualified employee**, amount 2 is the lowest cost of equivalent coverage for each qualified employee, calculated by using the X × Y = Z formula in the previous example. If you did not have at least one qualified employee, the limit in Amount 1 will apply.

If you had employees for part of the year

If you had at least one qualified employee for part of the year and your insurable arm's length employees represented at least 50% of all the insurable persons in your business, calculate your limit for **that** period by using the X × Y = Z formula at "If you had employees throughout 2015."

For the rest of the year you had no employees or your insurable **arm's length** employees represented less than 50% of all the insurable persons in your business, your deduction limit for that **remaining** period is the **lesser of** Amount 1 and Amount 2, calculated in the same way as in the previous section.

Undeducted premiums

If you deduct only part of your PHSP premium at line 9270, and you paid the premium in the year, you can include the undeducted balance when you calculate your non-refundable medical expense tax credit. For more information, see "Line 330" in your *General Income Tax and Benefit Guide*.

Line 9935 – Allowance on eligible capital property

We explain how to determine this allowance in Chapter 5.

Line 9936 – Capital cost allowance (CCA)

Enter the amount of CCA you calculated on the charts found on Form T2121 for all the eligible assets used in your fishing operation. For more information on how to fill in these charts, see Chapter 4.

Line 9369 – Net income (loss) before adjustments

Enter the gross income minus the total deductible fishing expenses. If you have a loss, enter the amount in brackets. If you are a partner in a partnership, this amount is the net fishing income or loss of all partners.

Your net income (loss)

Enter your share of line 9369 at amount c of Form T2121. This is the amount left after you subtract the amounts that the other partners are responsible for reporting. On the "Details of other partners" chart of Form T2121, indicate the full names and addresses of the other partners, as well as a breakdown of their shares of the income and their percentages of the partnership.

Line 9974 – GST/HST rebate for partners received in the year

If you received a GST/HST rebate for partners, report the amount of the rebate that relates to eligible expenses other than CCA on line 9974 of Form T2121 in the year you receive it.

Enter the total of amounts c and line 9974 at amount d.

Line 9943 – Other amounts deductible from your share of net partnership income (loss)

If you are a partner in a business partnership and you have motor vehicle expenses for the business using your personal vehicle, you can claim those expenses related to the business on this line. The expenses must not have been claimed anywhere else on the form.

Claim this amount only if the partnership did not repay you for these expenses. The limits discussed earlier in this chapter also apply to these expenses.

Fill in the "Other amounts deductible from your share of net partnership income (loss)" chart of Form T2121 to list the other amounts you can deduct from your share of the partnership's net income or loss.

Line 9945 – Business-use-of-home expenses

You can deduct expenses for the business use of a workspace in your home, if you meet **one** of the following conditions:

- it is your principal place of business; or
- you use the space only to earn your fishing business income, and you use it on a regular and ongoing basis to meet your clients or customers.

You can deduct part of your maintenance costs such as heating, home insurance, electricity, and cleaning materials. You can also deduct part of your property taxes, mortgage interest, and CCA. To calculate the part you can deduct, use a reasonable basis, such as the area of the workspace divided by the total area of your home.

If you use part of your home for both your business and personal living, calculate how many hours in the day you use the rooms for your business, and then divide that amount by 24 hours. Multiply the result by the business part of your total home expenses. This will give you the household cost you can deduct. If you run the business for only part of the week or year, reduce your claim accordingly.

For more information, see the latest archived Interpretation Bulletin IT-514, *Work Space in Home Expenses*.

Example
Monique runs a fishing business from her home weekdays from 7 a.m. to 5 p.m. (10 hours out of a 24-hour day). The business uses an area of 35 square metres.

The house is 100 square metres, and the annual household expenses are $5,800.

Monique calculates as follows:

10/24 **hours** × 35/100 **metres** × $5,800 **expenses** = $845.83

The business operates five days a week, so she must do another calculation:

$845.83 × 5/7 **days** = $604.16

Monique can deduct $604.16 for her household expenses.

The capital gain and recapture rules will apply if you deduct CCA on the business-use part of your home and you later sell your home. For more information about these rules, see Chapter 4 and Guide T4037, *Capital Gains*.

If you rent your home, you can deduct the part of the rent and any expenses you incur that relate to the workspace.

The amount you can deduct for business-use-of-home expenses cannot be more than your net income from the fishing business before you deduct these expenses. In other words, you cannot use these expenses to increase or create a business loss. You can deduct the **lesser of**:

- any amount you carry forward from your 2014 fiscal period **plus** the business-use-of-home expenses you incur in 2015; and
- the net income amount at amount f of Form T2121.

In your next fiscal period, you can use any expense you could not deduct in 2015, as long as you meet one of the previous two conditions. The same rules apply.

You can use the "Calculating business-use-of-home expenses" chart of Form T2121 to calculate your allowable claim for business-use-of-home expenses. Enter at line 9945 your share of the amount from line 3 of the chart. The expenses you claim at line 9945 cannot be claimed anywhere else on Form T2121.

Line 9946 – Your net income (loss)

Enter your net fishing income or loss on this line, and on line 143 of your income tax return. If you have a loss, enter the amount in brackets. For more information about losses, see Chapter 6.

> **Note**
> You may have to adjust the figure from line 9946 before entering it on your income tax return. You may have filed Form T1139, *Reconciliation of 2014 Business Income for Tax Purposes*, with your 2014 income tax return. If so, you may have to fill in the same form for 2015. To find out if you have to file Form T1139, and calculate the amount of fishing income to report on your 2015 income tax return, see Guide RC4015, *Reconciliation of Business Income for Tax Purposes*. The guide includes Form T1139.

Details of other partners

If you are a partner in a partnership that does **not** have to file a partnership information return (see Chapter 1 for these requirements), fill in the "Details of other partners" chart of Form T2121. If you are a partner in a partnership that **must** file a partnership information return, you do not need to fill in the chart.

Details of equity

If you are a partner in a partnership that **must** file a partnership information return, do not fill in this section.

Line 9931 – Total business liabilities

A liability is a debt or an obligation of a business. "Total business liabilities" are the total of all amounts your fishing business owes at the end of its fiscal period.

Total business liabilities include:

- accounts payable;
- notes payable;
- income taxes and taxes payable;
- unpaid salaries, wages, and benefits;
- interest payable;
- deferred or unearned revenues;
- loans payable;
- mortgages payable; and
- any other outstanding balance related to the business.

Line 9932 – Drawings in 2015

A drawing is any withdrawal of cash (including salaries) or other assets, or services of a business by the proprietor or partners. This includes transactions by the proprietor or partners (or family members), like withdrawing cash for non-business use and using business assets and services for personal use. Include the cost or value of the personal use of business assets or services in your drawings for the year.

Line 9933 – Capital contributions in 2015

A capital contribution is cash or other assets you added to the fishing business during its fiscal period. This includes personal funds you added to the business account, business debts you paid with personal funds, and personal assets you transferred to the fishing business.

Chapter 4 – Capital cost allowance (CCA)

What is CCA?

You might acquire a depreciable property, such as a boat, furniture, or equipment to use in your fishing business. You cannot deduct the cost of the property when you calculate your net fishing income for the year.

However, since these properties may wear out or become obsolete over time, you can deduct their cost over a period of several years. The deduction is called CCA.

You can usually claim CCA on a property only when it becomes **available for use** (see "Definitions" on page 5).

Available for use rules

Property **other** than a building usually becomes available for use on the earlier of:

- the date you first use it to earn income;
- the second tax year after the year you acquire the property;
- the time just before you dispose of the property;
- the time the property is delivered or made available to you and is capable of producing a saleable product or service; or
- the time the property is delivered and is capable of performing the function for which it was acquired only in respect of property acquired by you in the course of carrying on your farming or fishing business.

In the case of a vessel, available for use means the date when all permits, certificates, or licences needed by law are obtained.

Example
If you buy an electric motor for your fishing boat and the seller delivers it to you in your 2015 fiscal period, but it was not in working order until your 2016 fiscal period, you cannot claim CCA on it until 2016. However, if you buy an electric motor and the seller delivers it to you in working order in your 2015 fiscal period, but you did not use it until your 2016 fiscal period; you can still claim CCA in 2015 because it was available for use.

A **building** or **part** of a building usually becomes available for use on the earlier of:

- the date you start using 90% or more of the building in your business;
- the second tax year after the year you acquire the building; or
- the time just before you dispose of the building.

A building you are **constructing**, **renovating**, or **altering** usually becomes available for use on the earlier of:

- the date you complete the construction, renovation, or alteration;
- the date you start using 90% or more of the building in your business;
- the second tax year after the year you acquire the building; or
- the time just before you dispose of the building.

How much CCA you can claim

The CCA you can claim depends on the type of property you own and the date you acquired it. Group the depreciable property you own into classes. A specific rate of CCA generally applies to each class.

We explain the most common classes of property in "Classes of depreciable property" on page 31. We list most of the classes and their rates in the "Capital cost allowance (CCA) rates" chart on page 46.

Base your CCA claim on your fiscal period ending in 2015, and not the calendar year.

Basic information about CCA

To decide whether an amount is a current expense or a capital expense, see the "Current or capital expenses" chart on page 17.

Generally, use the declining balance method to calculate your CCA. This means you claim CCA on the **capital cost** (see "Definitions" on page 5) of the property minus the CCA you claimed in previous years, if any. The balance declines over the years as you claim CCA.

Example
Last year Alfie bought a building for $60,000 to use in his fishing operation. On his income tax return for last year, he claimed CCA of $1,200 on the building. This year, Alfie bases his CCA claim on his balance of $58,800 ($60,000 – $1,200).

You do not have to claim the maximum amount of CCA in any given year. You can claim any amount you like, from zero to the maximum allowed for the year. If you do not have to pay income tax for the year, you may not want to claim CCA. Claiming CCA reduces the balance of the class by the amount of CCA claimed. As a result, the available CCA for future years will be reduced.

In the year you acquire a depreciable property, you can usually claim CCA only on one-half of your net additions to a class. We explain this half-year rule in "Column 6 – Adjustment for current-year additions" on page 31. The available for use rules discussed earlier in this chapter may also affect the amount of CCA you can claim.

You cannot claim CCA on most land or on living things such as trees, shrubs, or animals. However, you can claim CCA on timber limits, cutting rights, and wood assets. For more information, see the latest archived interpretation bulletins IT-481-CONSOLID, *Timber Resource Property and Timber Limits*, and IT-501, *Capital Cost Allowance – Logging Assets*, and its Special Release.

If you claim CCA and you later dispose of the property, you may have to add an amount to your income as a recapture of CCA. Alternatively, you may be able to deduct an additional amount from your income as a terminal loss. For more information, see "Column 5 – UCC after additions and dispositions" on page 30.

If you are a partner in a partnership, you cannot separately claim CCA for depreciable property owned by the partnership. Instead, the partnership is entitled to deduct CCA in determining the net income or loss of the partnership for the year. The partnership's net income or loss is then allocated to the partners and the partner's share is shown on the partner's slip, Form T5013, *Statement of Partnership Income*. If a partnership does not have to file a partnership information return and thus no T5013 slip is issued to you, complete Area A of Form T2121 to report the CCA claim for the partnership.

You were asking?

Q. How do I calculate my CCA claim if I start a fishing business and my first fiscal period is from June 1, 2015, to December 31, 2015?

A. Since your fiscal period is less than 365 days, you have to prorate your CCA claim. Calculate your CCA using the rules discussed in this chapter. However, base your CCA claim on the number of days in your fiscal period compared to 365 days.

In this case, your fiscal period is 214 days. Suppose you calculate your CCA to be $3,500. The amount of CCA you can claim is $2,052 ($3,500 × 214/365).

For more information, see the latest archived Interpretation Bulletin IT-285R2, *Capital Cost Allowance – General Comments*.

How to calculate your CCA

To calculate your 2015 deduction for CCA, and any recaptured CCA and terminal losses, use Area A of Form T2121.

You may have acquired or disposed of buildings or equipment during your fiscal period. If so, fill in the applicable Area B, C, D, or E, whichever applies, before completing Area A.

Note
Even if you are not claiming a deduction for CCA for 2015, fill in the appropriate areas of the form to show any additions or disposals during the year. For information on how to fill in all these areas, see the following sections.

Column 1 – Class number

Enter in this column the class numbers of your properties. If this is the first year you are claiming CCA, see “Column 3 – Cost of additions in the year” on page 29 before completing column 1. If you claimed CCA last year, you can get the class numbers of your properties from last year’s form.

We discuss the more common types of depreciable properties in “Classes of depreciable property” on page 31, and we list most of the classes and their rates in the “Capital cost allowance (CCA) rates” chart on page 46.

Column 2 – Undepreciated capital cost (UCC) at the start of the year

If this is the first year you are claiming CCA, skip this column. Otherwise, enter in this column the UCC for each class at the end of last year. Enter these amounts from column 10 of your 2014 form.

From your UCC at the start of 2015, subtract any investment tax credit (ITC) you claimed or were refunded in 2014. Also subtract any 2014 ITC you carried back to a previous year.

You may have received in 2014 a GST/HST input tax credit for a passenger vehicle you used less than 90% for your business. In this case, subtract the amount of the credit you got from your 2015 opening UCC. See “Grants, subsidies, and rebates” on page 35.

> **Note**
> In 2015, you may be claiming, carrying back, or getting a refund of an ITC. If you still have depreciable property in the class, you have to adjust, in 2016, the UCC of the class to which the property belongs. To do this, subtract the amount of the credit from the UCC at the start of 2016. When there is no property left in the class, report the amount of the ITC as income in 2016.

Column 3 – Cost of additions in the year

If you acquire or make improvements to depreciable property in the year, we consider them to be additions to the class in which the property belongs. You should:

- fill in Area B and Area C of your Form T2121; as explained below; and
- enter in column 3 of Area A for each class, the figure from column 5 of each class in Area B and Area C.

If a chart asks for the personal part of a property, this refers to the part you use personally, separate from the part you use for your fishing business. If you use 25% of the building you live in for your business, your personal part is the remaining 75%.

Do not include the value of your labour in the cost of a property you build or improve. Include the cost of surveying or valuing a property you acquire. Remember that a property usually has to be **available for use** (see “Definitions” on page 5) before you can claim CCA.

If you received insurance proceeds to reimburse you for the loss or destruction of depreciable property, enter the amount you spent to **replace** the property in column 3 of Area A, as well as in Area B or C, whichever applies. Include the amount of insurance proceeds considered as **proceeds of disposition** (see “Definitions” on page 5) in column 4 of Area A, as well as in Area D or E, whichever applies.

If you replaced lost or destroyed property, special rules for replacement property may apply. The replacement property must be acquired within two years of the end of the tax year in which it was lost or destroyed. For more information, see the latest archived interpretation bulletins IT-259R4, *Exchange of Property*, and IT-491, *Former business property*, and its Special Release.

To find out if any of these special situations apply, see “Special situations” on page 34.

Area B – Details of equipment additions in the year

List the details of all equipment (including motor vehicles) you acquired or improved in 2015. Group the equipment into the applicable classes and put each class on a separate line.

Equipment includes machinery, motor vehicles and all material you acquire to use in your fishing business to earn income.

Enter on line 9925 the total business part of the cost of the equipment.

Area C – Details of building additions in the year

List the details of all buildings you acquired or improved in 2015. Group the buildings into the applicable classes and put each class on a separate line.

Enter on line 9927 the total business part of the cost of the buildings. The cost includes the purchase price of the building, and any related expenses you should add to the capital cost of the building, such as legal fees, land transfer taxes, and mortgage fees.

Land

Generally, land is not depreciable property. Therefore, you cannot claim CCA on its cost. If you acquire a fishing property that includes both land and a building, enter in column 3 of Area C only the cost that relates to the building. To calculate the building’s capital cost, you have to split any fees that relate to buying the property between the land and the building. Related fees may include legal and accounting fees.

Calculate the part of the related fees you can include in the capital cost of the building as follows:

$$\frac{\text{Building value}}{\text{total purchase price}} \times \text{legal, accounting, or other fees} = \text{the part of the fees you can include in the building's cost}$$

You do not have to split a fee if it relates specifically to the land or the building. In this case, you would add the amount of the fee to the cost to which it relates; either the land or the building.

Area F – Details of land additions and dispositions in the year

Enter on line 9923 the total cost of acquiring land in 2015. The cost includes the purchase price of the land plus any related expenses you should add to the capital cost of the land, such as legal fees, land transfer taxes, and mortgage fees.

You cannot claim CCA on land. Do **not** enter this amount in column 3 of Area A.

Column 4 – Proceeds of dispositions in the year

Enter the details of your 2015 dispositions on your Form T2121 as explained below.

If you disposed of a depreciable property during your 2015 fiscal period, enter in column 3 of the appropriate dispositions area (Area D or Area E) one of the following amounts, whichever is less:

- your proceeds of disposition minus any related expenses; or
- the capital cost of the property.

Note
If a chart asks for the personal part of a property, this refers to the part you use personally, separate from the part you use for business. For example, if you use 25% of the building you live in for business, your personal part is the other 75%.

Enter at column 4 of Area A for each class, the amount from column 5 of Area D and Area E for the class.

If you received insurance proceeds to reimburse you for the loss or destruction of depreciable property, enter the amount you spent to **replace** the property in column 4 of Area A, as well as in Area B or C, whichever applies.

Include the amount of insurance proceeds considered as **proceeds of disposition** in column 4 of Area A, as well as in Area D or E, whichever applies. This could include compensation you receive for property that someone destroys, expropriates, steals, or damages.

If you dispose of a property for proceeds that are more than it cost you to acquire it (or you receive insurance proceeds for a property that was lost or destroyed that exceed the cost of the property), you will have a capital gain and possibly recapture of CCA. You may be able to postpone or defer recognition of a capital gain or recapture of CCA in computing income if, among other things, the property disposed of is replaced within certain specified time limits. For more information, see “Replacement property” on page 38, the latest archived interpretation bulletins IT-259R4, *Exchange of Property*, and IT-491, *Former business property*, and its Special Release.

For more information on proceeds of disposition, see the latest archived interpretation bulletins IT-285R2, *Capital Cost Allowance – General Comments*, and IT-220R2, *Capital Cost Allowance – Proceeds of Disposition of Depreciable Property*, and its Special Release.

Area D – Details of equipment dispositions in the year

List in this chart the details of all equipment (including motor vehicles) you disposed of in your 2015 fiscal period. Group the equipment into the applicable classes and put each class on a separate line. Enter on line 9926 the total business part of the proceeds of disposition of the equipment.

Area E – Details of building dispositions in the year

List in this chart the details of all buildings you disposed of in your 2015 fiscal period. Group the buildings into the applicable classes and put each class on a separate line. Enter on line 9928 the total business part of the proceeds of disposition of the buildings.

Area F – Details of land additions and dispositions in the year

Enter on line 9924 the total of all amounts you received or will receive for disposing of land in the fiscal period.

Column 5 – UCC after additions and dispositions

You cannot claim CCA when the amount in column 5 is:

- negative (see “Recapture of CCA” below); or
- positive and you do not have any property left in that class at the end of your 2015 fiscal period (see “Terminal loss” below).

In either case, enter “0” in column 10.

Recapture of CCA

If the amount in column 5 is negative, you have a recapture of CCA. Enter your recapture on line 9600, “Other income.” A recapture of CCA can happen if the proceeds from the sale of depreciable property are more than the total of:

- the UCC of the class at the start of the period; and
- the capital cost of any new additions during the period.

A recapture of CCA can also occur, for example, when you get a government grant or claim an investment tax credit.

In some cases, you may be able to postpone a recapture of CCA. For example, you may sell a property and replace it with a similar one, someone may expropriate your property, or you may transfer property to a corporation, a partnership or your child.

Terminal loss

If the amount in column 5 is positive and you no longer own any property in that class, you may have a terminal loss. More precisely, you may have a terminal loss when, at the end of a fiscal period, you have no more property in the class but still have an amount you have not deducted as CCA. You can usually subtract this terminal loss from your gross fishing income in the year you disposed of the depreciable property. Enter your terminal loss on line 9270, “Other expenses.”

For more information on recapture of CCA and terminal loss, see the latest archived Interpretation Bulletin IT-478R2, *Capital Cost Allowance – Recapture and Terminal Loss*.

> **Note**
> The rules for recapture of CCA and terminal loss do not apply to passenger vehicles in Class 10.1. To calculate your CCA claim, see the comments in "Column 7 – Base amount for CCA."

Column 6 – Adjustment for current-year additions

In the year you acquire or make additions to a property, you can usually claim CCA on half of your net additions (the amount in column 3 minus the amount in column 4). We call this the **half-year rule**.

Calculate your CCA claim only on the net adjusted amount. Do not reduce the cost of the additions in column 3, or the CCA rate in column 8. For example, if you acquired a property in your 2015 fiscal period for $30,000, you would base your CCA claim on $15,000 ($30,000 × 50%).

If you acquired and disposed of depreciable property of the same class in your 2015 fiscal period, the calculation in column 6 restricts your CCA claim. Calculate the CCA you can claim as follows:

- Determine which of the following amounts is less:
  - the proceeds of disposition of the property sold, **minus** any related costs or expenses; or
  - the capital cost.
- Subtract the above amount from the capital cost of your addition.
- Enter 50% of the result in column 6. If the result is negative, enter "0."

In some cases, you do not make an adjustment in column 6. For example, in a **non-arm's length** transaction (see "Definitions" on page 5) you may buy depreciable property that the seller continuously owned from the day that is at least 364 days before the end of your 2015 fiscal period to the day the property was acquired. However, if you transfer personal property, such as a car or a personal computer, into your business, the half-year rule applies to the particular property transferred.

Also, some properties are not subject to the half-year rule. Some examples are those in Classes 13, 14, 23, 24, 27, 34, and 52, as well as some of those in Class 12, such as small tools. The half-year rule does **not** apply when the available for use rules discussed on page 27 denies a CCA claim until the second tax year after the year you acquire the property.

For more information on the special rules that apply to Class 13, see the latest archived Interpretation Bulletin IT-464R, *Capital Cost Allowance – Leasehold Interests*. For more information on the half-year rule, see the latest archived Interpretation Bulletin IT-285R2, *Capital Cost Allowance – General Comments*.

Column 7 – Base amount for CCA

To calculate your base amount for CCA, take the amount you entered in Column 5 and subtract the amount you entered in Column 6.

For a Class 10.1 vehicle you disposed of in your 2015 fiscal period, you may be able to claim 50% of the CCA that would be allowed if you still owned the vehicle at the end of your 2015 fiscal period. This is known as the **half-year rule on sale**.

You can use the half-year rule on sale if, at the end of your 2014 fiscal period, you owned the Class 10.1 vehicle you disposed of in 2015. If this applies to you, enter 50% of the amount from column 2 in column 7.

Column 8 – Rate (%)

In this column, enter the rate for each class of property in Area A. For more information on certain kinds of property, see "Classes of depreciable property" on page 31. For a list of rates, see "Capital cost allowance (CCA) rates" on page 46.

Column 9 – CCA for the year

In column 9, enter the CCA you want to deduct for 2015. The CCA you can deduct cannot be more than the amount you get when you multiply the amount in column 7 by the rate in column 8. You can deduct any amount up to the maximum.

In your first year of business, you may have to prorate your CCA claim. See "You were asking?" on page 28.

Add up all of the amounts in column 9. Enter the total on line 9936, "Capital cost allowance (CCA)." To find out how to calculate your CCA claim if you are using the property for both business and personal use, see "Personal use of property" on page 34.

Column 10 – UCC at the end of the year

This is the UCC at the end of your 2015 fiscal period. This is the amount you will enter in column 2 when you calculate your CCA claim next year.

Enter "0" in column 10 if you have a terminal loss or a recapture of CCA. There will not be an amount in column 10 for a Class 10.1 passenger vehicle you dispose of in the year.

The example at the end of this chapter sums up CCA.

Classes of depreciable property

In this part we discuss the more common classes of depreciable property. We list most of the classes and their rates in the "Capital cost allowance (CCA) rates" chart on page 46.

Class 1 (4%)

A **building** may belong to Class 1, 3, or 6, depending on what the building is made of and the date you acquired it. You also include in these classes the parts that make up the building, such as:

- electrical wiring;

- lighting fixtures;
- plumbing;
- sprinkler systems;
- heating equipment;
- air-conditioning equipment (other than window units);
- elevators; and
- escalators.

Note
Most land is not depreciable property. Therefore, when you acquire property, only include the cost related to the building in Area A and Area C. Enter on line 9923 in Area F the cost of all land additions in 2015. For more information, see "Area F – Details of land additions and dispositions in the year" on page 30 and "Column 3 – Cost of additions in the year" on page 29.

For more information, see the latest archived Interpretation Bulletin IT-79R3, *Capital Cost Allowance – Buildings or Other Structures*.

Class 1 includes most buildings acquired after 1987, unless they specifically belong in another class. Class 1 also includes the cost of certain additions or alterations you made to a Class 1 building or certain buildings of another class after 1987.

The CCA rate for eligible **non-residential buildings** acquired by a taxpayer after March 18, 2007, and used in Canada to manufacture or process goods for sale or lease includes an additional allowance of 6% for a total rate of 10%. The CCA rate for other eligible **non-residential buildings** includes an additional allowance of 2% for a total rate of 6%.

To be eligible for one of the additional allowances, you must elect to put a building in a separate class. To make the election, attach a letter to your return for the tax year in which you acquired the building. If you do not file an election to put it in a separate class, the 4% rate will apply.

The additional allowance applies to buildings acquired after March 18, 2007, (including a new building, if any part of it is acquired after March 18, 2007, when the building was under construction on March 19, 2007) that have not been used or acquired for use before March 19, 2007.

To be eligible for the 6% additional allowance, at least 90% of a building (measured by square footage) must be used in Canada for the designated purpose at the end of the tax year. Manufacturing and processing buildings that do not meet the 90% use test will be eligible for the additional 2% allowance if at least 90% of the building is used in Canada for non-residential purposes at the end of the tax year.

Class 3 (5%)

Most buildings acquired before 1988 are included in Class 3 or Class 6.

If you acquired a building before 1990 that does not fall into Class 6, you can include it in Class 3 with a CCA rate of 5% if **one** of the following applies:

- you acquired the building under the terms of a written agreement entered into before June 18, 1987; or
- the building was under construction by you, or for you, on June 18, 1987.

Include in Class 3 the cost of any additions or alterations made after 1987 to a Class 3 building that does not exceed the **lesser of** the following two amounts:

- $500,000; and
- 25% of the building's capital cost (including the cost of additions or alterations to the building included in Class 3, Class 6, or Class 20 before 1988).

Any amount that exceeds the lesser amount above is included in Class 1.

Class 6 (10%)

Include in Class 6, with a CCA rate of 10% a building if it is made of frame, log, stucco on frame, galvanized iron, or corrugated metal. In addition, **one** of the following conditions has to apply:

- you acquired the building before 1979;
- the building is used to gain or produce income from farming or fishing; or
- the building has no footings or other base supports below ground level.

If any of the above conditions apply, you also add the full cost of all additions and alterations to the building to Class 6.

If none of the above conditions apply, include the building in Class 6 if **one** of the following conditions applies:

- you entered into a written agreement before 1979 to acquire the building, and the footings or other base supports of the building were started before 1979; or
- you started construction of the building before 1979 (or it was started under the terms of a written agreement you entered into before 1979), and the footings or other base supports of the building were started before 1979.

Also include in Class 6 certain greenhouses and fences.

For additions or alterations to such a building:

- Add to Class 6:
  - the first $100,000 of additions or alterations made after 1978.
- Add to Class 3:
  - the part of the cost of all additions or alterations over $100,000 made after 1978 and before 1988; and
  - the part of the cost of additions or alterations over $100,000 made after 1987, but only up to $500,000 or 25% of the cost of the building, whichever is less.

- Add to Class 1 any additions or alterations over these limits.

For more information, see the latest archived Interpretation Bulletin IT-79R3, *Capital Cost Allowance – Buildings or Other Structures*.

Class 8 (20%)

Class 8 with a CCA rate of 20% includes certain property that is not included in another class. Examples are furniture, appliances, and tools costing $500 or more per tool, some fixtures, machinery, outdoor advertising signs, refrigeration equipment, and other equipment you use in business.

Photocopiers and electronic communications equipment, such as fax machines and electronic telephone equipment are also included in Class 8.

Note
If this equipment cost $1,000 or more, you can elect to have it included in a separate class. The CCA rate will not change but a separate CCA deduction can now be calculated for a five-year period. When all the property in the class is disposed of, the UCC is fully deductible as a terminal loss. Any UCC balance remaining in the separate class at the end of the fifth year has to be transferred back to the general class in which it would otherwise belong. To make an election, attach a letter to your income tax return for the tax year in which you acquired the property.

Include data network infrastructure equipment and systems software for that equipment acquired before March 23, 2004. If acquired after March 22, 2004, include it in Class 46. See "Class 46 (30%)" on page 34.

Include buildings you use to store fresh fruit or vegetables, by or for the person or persons by whom they were grown, at a controlled temperature in Class 8 instead of Class 1, Class 3, or Class 6. Also include in Class 8 any buildings you use to store silage.

Class 10 (30%)

Class 10 with a CCA rate of 30% includes general-purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment, including ancillary data processing equipment, if you acquired them before March 23, 2004, or after March 22, 2004, and before 2005, and you made an election.

Class 10 also includes motor vehicles, as well as some passenger vehicles. We define **motor vehicle** and **passenger vehicle** on page 5.

Include passenger vehicles in Class 10 unless they meet a Class 10.1 condition.

Class 10.1 (30%)

Your **passenger vehicle** (see "Definitions" on page 5) can belong in either Class 10 or Class 10.1.

To determine the class your passenger vehicle belongs in, you have to use the cost of the vehicle before you add the GST/HST or the PST.

Include your passenger vehicle in Class 10.1 if you bought it in your 2015 fiscal period and it cost more than $30,000. List each Class 10.1 vehicle separately.

We consider the capital cost of a Class 10.1 vehicle to be $30,000 plus the related GST/HST or PST. The $30,000 amount is the capital cost limit for a passenger vehicle.

Note
Use the GST rate of 5% and the appropriate PST rate for your province or territory. If your province is a participating province, use the appropriate HST rate. For more information on the GST and the HST, see Guide RC4022, *General Information for GST/HST Registrants*.

Example
Angie owns a fishing business. On June 21, 2015, she bought two passenger vehicles to use in her fishing business. The PST rate for her province is 8%. Angie kept the following records for 2015:

	Cost	GST	PST	Total
Vehicle 1	$33,000	$1,650	$2,640	$37,290
Vehicle 2	$28,000	$1,400	$2,240	$31,640

Angie puts vehicle 1 in Class 10.1, since she bought it in 2015 and it cost her more than $30,000. Before Angie enters an amount in column 3 of Area B, she must calculate the GST and PST on $30,000 as follows:

- GST at 5% of $30,000 = $1,500
- PST at 8% of $30,000 = $2,400

Therefore, Angie's capital cost is $33,900 ($30,000 + $1,500 + $2,400). She enters this amount in column 3 of Area B.

Angie puts vehicle 2 into Class 10, since she bought it in 2015 and it did not cost her more than $30,000. Angie's capital cost is $31,640 ($28,000 + $1,400 + $2,240) for column 3 of Area B.

Class 12 (100%)

The cost **limit** for access to the Class 12 (100%) treatment is $500 for tools acquired on or after May 2, 2006.

Most small tools in Class 12 are not subject to the half-year rule. They are fully deductible in the year of purchase. If the tool costs $500 or more, include it in Class 8 (20%).

Class 12 tools that **are** subject to the half-year rule include dies, jigs, patterns, moulds or lasts, and the cutting or shaping part of a machine. For more information, see the latest archived Interpretation Bulletin IT-285R2, *Capital Cost Allowance – General Comments*.

Include in Class 12 computer software that is not systems software. Software in Class 12 **is** subject to the half-year rule.

Class 45 (45%)

Include general-purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment, including ancillary data processing equipment, in Class 45 with a CCA rate of 45% if you acquired them after March 22, 2004, and before March 19, 2007.

> **Note**
> If you acquired the equipment or software before 2005 and made the separate Class 8 election, as discussed in the Class 8 note, the property does not qualify for the 45% rate.

Class 46 (30%)

Include in Class 46 with a CCA rate of 30% data network infrastructure equipment and systems software for that equipment if they were acquired after March 22, 2004. If they were acquired before March 23, 2004, include them in Class 8. See "Class 8 (20%)" on page 33.

Class 50 (55%)

Include in Class 50 with a CCA rate of 55% property acquired after March 18, 2007, that is general-purpose electronic data processing equipment and systems software for that equipment, including ancillary data processing equipment, but not including property that is included in Class 29 or Class 52 or that is mainly or is used mainly as:

a) electronic process control or monitor equipment;

b) electronic communications control equipment;

c) systems software for equipment referred to in a) or b); or

d) data handling equipment (other than data handling equipment that is ancillary to general-purpose electronic data processing equipment).

Class 52 (100%)

Include in Class 52 with a CCA rate of 100% (with no half-year rule) general-purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment, including ancillary data processing equipment if they were acquired after January 27, 2009, and before February 2011, but not including property that is mainly or is used mainly as:

a) electronic process control or monitor equipment;

b) electronic communications control equipment;

c) systems software for equipment referred to in a) or b); or

d) data handling equipment (other than equipment that is ancillary to general-purpose electronic data processing equipment).

To qualify for this rate the asset must also:

- be located in Canada;
- have not been used, or acquired for use, for any purpose before it is acquired by the taxpayer; and
- be acquired by the taxpayer:
  - for use in a business carried on by the taxpayer in Canada or to earn income from property located in Canada; or
  - for lease by the taxpayer to a lessee for the lessee to use in a business the lessee carried on in Canada or to earn income from property located in Canada.

Special rates for certain boats

In most cases, a fishing boat belongs to Class 7. Therefore, you can claim CCA at a maximum rate of 15%. However, there are some exceptions to this rule.

A fishing boat, or the cost to convert it, is eligible for a special rate of CCA as follows:

- If you bought the boat between November 13, 1981, and December 31, 1982, you can claim CCA at a yearly rate of 33 1/3%. You can do this only in certain cases.
- If you bought the boat after December 31, 1982, you can claim CCA at a rate of 16 2/3% for the year you bought the boat. You can claim 33 1/3% for the years after you bought the boat.

You can claim this special rate on the following:

- a boat that was built and registered in Canada and was not used for any purpose before you bought it;
- the cost to convert or alter a boat in Canada; and
- a boat, or the cost to convert it, established as a separate prescribed class under the now repealed *Canadian Vessel Construction Assistance Act*.

Special situations

Personal use of property

If you buy property for business and personal use, you can show the business part of the property in Area B or C in one of two ways:

- If your business use stays the same from year to year, enter in Area B or Area C the total cost of the property in column 3, the personal part in column 4, and the business portion in column 5. To calculate the CCA you can claim, enter in column 3 of Area A the amount from column 5 of Area B or Area C.
- If your business use changes from year to year, enter in Area B or Area C the total cost of the property in column 3 and column 5, and enter "0" in column 4. Enter in column 3 of Area A the amount from column 5 of Area B or Area C and calculate the CCA amount (business and personal) in column 9. The amount in column 10 (UCC at the end of the year) is equal to the amount in column 5 minus the amount in column 9. When you claim CCA, you have to calculate the allowable part of the column 9 amount based on your business use.

The CCA calculated for the business use of a work space in your home in Area A of Form T2121 must be reported on the chart "Calculating business-use-of-home expenses" of the form. This CCA must be subtracted from the total amount of the CCA for the year

calculated in Area A and must not be included on line 9936, "Capital cost allowance (CCA)" of the form.

Example
Jim owns a fishing business. He bought a car in 2015 that he uses for both personal and business use. The car cost $20,000, including all charges and taxes. Therefore, he includes the car in Class 10. His business use varies from year to year. He calculates his CCA on the car for 2015 as follows:

He enters $20,000 in column 3 and column 5 of Area B. He also enters $20,000 in column 3 of Area A. By completing the other columns in the chart, he calculates a CCA claim of $3,000. Because Jim used his car partly for personal use, he calculates his CCA claim as follows:

$$\frac{12{,}000\text{ (business kilometres)}}{18{,}000\text{ (total kilometres)}} \times \$3{,}000 = \$2{,}000$$

Jim enters $2,000 on line 9936.

Note
The capital cost limits on a Class 10.1 vehicle (a passenger vehicle) still apply when you split the capital cost between business and personal use. For more information, see "Class 10.1 (30%)" on page 33.

Changing from personal to business use

If you bought a property for personal use and started using it in your fishing business in your 2015 fiscal period, there is a change in use. You need to determine the capital cost for business purposes.

If the FMV of a depreciable property is less than its original cost when you change its use, the amount you put in column 3 of Area B or C, is the FMV of the property (excluding the land value if the property is land and a building). If the FMV is more than the original cost of the property (excluding the land value if the property is land and a building) when you change its use, use the following chart to determine the amount to enter in column 3 of Area B or Area C.

When you start using your property for fishing business use, you are considered to have disposed of it. If the FMV of the property is more than its cost, you may have a capital gain. For more information on capital gains, see Chapter 4 or see Guide T4037, *Capital Gains*.

Capital cost calculation

Actual cost of the property		$ ________	1
FMV of the property	$ ________ 2		
Amount on line 1	$ ________ 3		
Line 2 **minus** line 3 (if negative, enter "0")	$ ________ 4		
Enter any capital gains deduction claimed for the amount on line 4* $____________ × 2 =	$ ________ 5		
Line 4 **minus** line 5 (if negative, enter "0")	$ ________ × 1/2 =	$ ________	6
Capital cost Line 1 **plus** line 6		$ ________	7

* Enter the amount that relates to the depreciable property only.

Note
We consider you to acquire the land for an amount equal to its FMV when you change its use. Include this amount on line 9923, "Total cost of all land additions in the year" in Area F.

Grants, subsidies, and rebates

You may get a grant, subsidy, or rebate from a government or a government agency to buy depreciable property. When this happens, subtract the amount of the grant, subsidy, or rebate from the property's capital cost. Do this before you enter the capital cost in column 3 of Area B or C.

You may have paid GST or HST on some of the depreciable property you acquired for your business. If so, you may have also received an input tax credit from us. Subtract the input tax credit from the property's capital cost. Do this before you enter the capital cost in column 3 of Area B or C, whichever applies. If you get an input tax credit for a passenger vehicle you use in your business, use **one** of these methods:

- For a passenger vehicle you used **90% or more** for your business, subtract the amount of the credit from the vehicle's cost before you enter its capital cost in column 3 of Area B.
- For a passenger vehicle you used **less than 90%** of the time for your business, do not make an adjustment in 2015. Instead, subtract the amount of the credit from your beginning UCC in 2016.

You may get an incentive from a non-government agency to buy depreciable property. If this happens, you can include the amount in income or subtract the amount from the capital cost of the property. If the rebate is more than the remaining UCC in the particular class, add the excess to income at the line "Grants, credits, and rebates" of Form T2121.

For more information about government assistance, see the latest archived Interpretation Bulletin IT-273R2, *Government Assistance – General Comments*.

Non-arm's length transactions

When you acquire depreciable property in a **non-arm's length** transaction (see "Definitions" on page 5), there are special rules for determining the property's cost. These special rules do not apply if you acquire the property because of someone's death.

You can acquire depreciable property in a non-arm's length transaction:

- from an individual resident in Canada;
- from a partnership with at least one partner who is an individual resident in Canada; or
- from a partnership with at least one partner who is another partnership.

If you pay **more** for the property than the seller paid for the same property, calculate the capital cost as follows:

Capital cost calculation
Non-arm's length transaction – Resident of Canada

The seller's cost or capital cost		$ ________	1
The seller's proceeds of disposition	$ ________		2
Amount from line 1	$ ________		3
Line 2 **minus** line 3 (if negative, enter "0")	$ ________		4
Enter any capital gains deduction claimed for the amount on line 4 $ ______________ × 2 =	$ ________		5
Line 4 **minus** line 5 (if negative, enter "0")	$ ________ × 1/2 =	$ ________	6
Capital cost Line 1 **plus** line 6		$ ________	7

Enter this amount in column 3 of either Area B or Area C, whichever applies. Do not include the cost of the related land. Include the cost of the related land on line 9923, "Total cost of all land additions in the year" in Area F of Form T2121.

You can also acquire depreciable property in a non-arm's length transaction:

- from a corporation;
- from an individual who is not a resident of Canada; or
- from a partnership with no partners who are individuals resident in Canada or with no partners that are other partnerships.

If you pay more for the property than the seller paid for it, calculate the capital cost as follows:

Capital cost calculation
Non-arm's length transaction – Non-resident of Canada

The seller's cost or capital cost		$ _____	1
The seller's proceeds of disposition	$ ________		2
Amount from line 1	$ ________		3
Line 2 **minus** line 3 (if negative, enter "0")	$ ________ × 1/2 =	$ _____	4
Capital cost Line 1 **plus** line 4		$ _____	5

Enter this amount in column 3 of either Area B or Area C, whichever applies. Do not include the cost of the related land. Include the cost of the related land on line 9923, "Total cost of all land additions in the year" in Area F of Form T2121.

If you buy depreciable property in a non-arm's length transaction and pay less for it than the seller paid, your capital cost is the same amount as the seller paid. We consider you to have deducted as CCA the difference between what you paid and what the seller paid.

Example
Erin bought an outboard motor for $4,000 from her father, Paul, in her 2015 fiscal period. Paul paid $10,000 for the outboard motor in 2005. Since the amount Erin paid is less than the amount Paul paid, we consider Erin's cost to be $10,000. We also consider Erin to have deducted CCA of $6,000 in the past ($10,000 – $4,000).

Erin completes the CCA chart as follows:

- in Area B, "Details of equipment additions in the year" she enters $10,000 in column 3, "Total cost" and
- in Area A, "Calculating capital cost allowance (CCA)," she enters $4,000 in column 3, "Cost of additions in the year" as the addition for her 2015 fiscal period.

There is a limit on the cost of a passenger vehicle you buy in a non-arm's length transaction. The cost is the **least of** the following three amounts:

- the FMV when you buy it;
- $30,000 **plus** any GST/HST or PST you would pay on $30,000 if you bought it in your 2015 fiscal period; or
- the seller's cost amount of the vehicle when you buy it.

The cost amount can vary depending on what the seller used the vehicle for before you bought it. If the seller used the vehicle to earn income, the cost amount will usually be the UCC of the vehicle when you buy it. If the seller did not use the vehicle to earn income, the cost amount would usually be the original cost of the vehicle.

For more information on non-arm's length transactions, see the Income Tax Folio S1-F5-C1, *Related persons and dealing at arm's length.*

Capital gains

If you sell a property for more than it cost, you may have a capital gain. List the dispositions of all your properties on Schedule 3, *Capital Gains (or Losses) in 2015*. You will find a copy of this schedule in your T1 General package. For information on how to calculate your taxable capital gain, see Chapter 7 or Guide T4037, *Capital Gains*.

You may be in a partnership and receive a slip, Form T5013, *Statement of Partnership Income*. If the partnership has a capital gain, it will allocate part of that gain to you. The gain will show on the partnership's financial statements or on your T5013 slip.

> **Note**
> You cannot have a capital loss when you sell depreciable property. However, you can have a terminal loss; see "Column 5 – UCC after additions and dispositions" on page 30.

Special rules for disposing of a building in the year

If you disposed of a building in the year, special rules may apply making the proceeds of disposition an amount other than the actual proceeds of disposition. This happens when you meet the following **two** conditions:

- you disposed of the building for an amount less than both its cost amount, as calculated below, and its capital cost to you; and
- you, or a person with whom you do not deal at **arm's length** (see "Definitions" on page 5), owned the land that the building is on, or the land next to it, which was necessary for the building's use.

To calculate the **cost amount**:

- If the building was the only property in the class, the cost amount is the UCC of the class before you disposed of the building.
- If more than one property is in the same class, you have to calculate the cost amount of each building as follows:

$$\frac{\text{capital cost of the building}}{\text{capital cost of all property in the class not previously disposed of}} \times \text{UCC of the class} = \text{cost amount of the building}$$

> **Note**
> If any property in the class of the building was acquired at non-arm's length was previously used for a purpose other than gaining or producing income, or if the part of a property used to gain or produce income has changed, the capital cost of the property has to be recalculated to determine the cost amount of the property.

For more information on proceeds of disposition, see the latest archived interpretation bulletins IT-285R2, *Capital Cost Allowance – General Comments* and IT-220R2, *Capital Cost Allowance – Proceeds of Disposition of Depreciable Property*, and its Special Release.

If you disposed of a building under these conditions and you or a person with whom you do not deal at arm's length disposed of the land in the same year, calculate your deemed proceeds of disposition as shown in Calculation A on page 37.

If you or a person with whom you do not deal at arm's length did not dispose of the land in the same year as the building, calculate your deemed proceeds of disposition as shown in Calculation B on page 38.

Calculation A
Land and building disposed of in the same year

FMV of the building at the time you disposed of it			$ ________	1
FMV of the land just before you disposed of it			$ ________	2
Line 1 **plus** line 2			$ ________	3
Seller's adjusted cost base of the land	$ ________	4		
Total capital gains (without reserves) from any disposition of the land (such as a change in use) in the three-year period before you or a person not dealing at arm's length with you disposed of the building either to you or another person not dealing at arm's length with you	$ ________	5		
Line 4 **minus** line 5 (if negative, enter "0")	$ ________	6		
Line 2 or line 6, whichever amount is less			$ ________	7
Line 3 **minus** line 7 (if negative, enter "0")			$ ________	8
Cost amount of the building just before you disposed of it	$ ________	9		
Capital cost of the building just before you disposed of it	$ ________	10		
Line 9 or line 10, whichever amount is less	$ ________	11		
Line 1 or line 11, whichever amount is more			$ ________	12
Deemed proceeds of disposition of the building				
Line 8 or line 12, whichever amount is less (enter this amount in column 3 of Area E, and include it in column 4 of Area A)			$ ________	13
Deemed proceeds of disposition of the land				
Proceeds of disposition of the land and building			$ ________	14
Amount from line 13			$ ________	15
Line 14 **minus** line 15 (include this amount on line 9924 of Area F)			$ ________	16

If you have a terminal loss on the building, include it on line 9270, "Other expenses" of Form T2121.

Calculation B
Land and building disposed of in different years

Cost amount of the building immediately before you disposed of it	$ ______ 1		
FMV of the building just before you disposed of it	$ ______ 2		
Line 1 or line 2, whichever amount is more		$ ______	3
Actual proceeds of disposition, if any		$ ______	4
Line 3 **minus** line 4		$ ______	5
Line 5	$ ______ × 1/2 =	$ ______	6
Amount from line 4		$ ______	7
Deemed proceeds of disposition for the building			
Line 6 **plus** line 7 (enter this amount in column 3 of Area E and include it in column 4 of Area A)		$ ______	8

If you have a terminal loss on the building, include it on line 9270, "Other expenses" of Form T2121.

Ordinarily, you can deduct 100% of a terminal loss, but only 50% of a capital loss. Calculation B makes sure you use the same percentage to calculate a terminal loss on a building as you use to calculate a capital loss on land. As a result of this calculation, 50% of the amount on line 5 to the actual proceeds of disposition from the building. If you have a terminal loss, see "Terminal loss" on page 30.

Replacement property

In some cases, you can postpone or defer recognizing a capital gain or recapture of CCA in computing income. You might sell a business property and replace it with a similar one, or your property might be stolen, destroyed, or expropriated, and you replace it with a similar one. To defer reporting the gain or recapture of CCA, you (or a person related to you) must acquire the replacement property within the specified time limits and use the new property for the same or similar purpose as the one you are replacing.

For more information, see the latest archived Interpretation Bulletins IT-259R4, *Exchange of Property*, and IT-491, *Former business property*, and its Special Release.

You can also defer a capital gain or recapture of CCA when you transfer property to a corporation, a partnership, or your child. For more information on transferring property to your child, see page 43.

For more information on transfers to a corporation or a partnership, see the latest version of:

- Information Circular IC76-19R3, *Transfer of Property to a Corporation Under Section 85*;
- Interpretation Bulletin IT-291R3, *Transfer of Property to a Corporation Under Subsection 85(1)*;
- Interpretation Bulletin IT-378R, *Winding-up of a Partnership*; and
- Interpretation Bulletin IT-413R, *Election by Members of a Partnership Under Subsection 97(2)*.

The following example summarizes this chapter on CCA.

Example
In 2015, Trevor bought a building to use for his fishing business. The total cost was $95,000 (the sum of the $90,000 total purchase price and the $5,000 total expenses connected with the purchase) as follows:

Building value	$75,000
Land value	$15,000
Total purchase price	$90,000
Expenses connected with the purchase:	
Legal fees	$3,000
Land transfer taxes	$2,000
Total fees	$5,000

Trevor's fishing business has a December 31 year-end. In 2015, Trevor's fishing income was $6,000 and his expenses were $4,900. Therefore, his net income before deducting CCA was $1,100 ($6,000 – $4,900).

Before Trevor can fill in his CCA schedule, he has to calculate the capital cost of the building. Since land is not depreciable fishing property, he has to calculate the part of the expenses connected with the purchase that relates only to the building. To do this, he has to use the following formula, explained under the heading "Land" on page 29.

$$\frac{\$75{,}000}{\$90{,}000} \times \$5{,}000 = \$4{,}166.67$$

This $4,166.67 represents the part of the $5,000 in legal fees and land transfer taxes that relates to the purchase of the building. The remaining $833.33 relates to the purchase of the land. Therefore, the capital cost of the building is:

Building value	$ 75,000.00
Related expenses	$ 4,166.67
Capital cost of the building	$ 79,166.67

Trevor enters $79,166.67 in column 3 of Area C and $15,833.33 ($15,000 + $833.33) on line 9923 of Area F as the capital cost of the land.

Note
Trevor did not own fishing property before 2015. Therefore, he has no UCC to enter in column 2 of Area A.

Trevor acquired his fishing property in 2015. Therefore, he is subject to the half-year rule that we explain under the heading "Column 6 – Adjustment for current-year additions" on page 31.

Chapter 5 – Eligible capital expenditures

What is an eligible capital expenditure?

You may buy property that does not physically exist but gives you a lasting economic benefit.

Some examples are goodwill, franchises, concessions, or licences for an unlimited period. This kind of property is **eligible capital property**. The price you pay to buy this type of property is an **eligible capital expenditure**.

We consider franchises, concessions, or licences with a limited period to be depreciable properties, not eligible capital properties. For details on depreciable properties, see Chapter 4.

What is an annual allowance?

You cannot fully deduct an eligible capital expenditure because the expenditure is considered to be capital in nature and provides a lasting economic benefit. However, you can deduct part of its cost each year. We call the amount you can deduct your **annual allowance**.

What is a cumulative eligible capital (CEC) account?

This is the bookkeeping record you establish to determine your annual allowance. You also use your cumulative eligible capital (CEC) account to keep track of the property you buy and sell. We call the property in your CEC account your eligible capital property. You base your annual allowance on the balance in your account at the end of your fiscal period. Keep a separate account for each business, but include all eligible capital property for the one business in the same CEC account.

How to calculate your annual allowance

CEC account

Fill in the following chart to calculate your annual allowance and the balance in your CEC account at the end of your 2015 fiscal period.

Calculating your annual allowance and your CEC account balance at the end of your 2015 fiscal period

Balance in the account at the start of your 2015 fiscal period			$________	1
Eligible capital expenditures you made or incurred in your 2015 fiscal period ______________ × 75%			$________	2
Line 1 **plus** line 2			$________	3
All the amounts you received or are entitled to receive from the sale of eligible capital property in your 2015 fiscal period	$________	4		
All the amounts that became receivable in your 2015 fiscal period from the sale of eligible capital properties before June 18, 1987	$________	5		
Line 4 **plus** line 5	$________	6		
Line 6 × 75%			$________	7
CEC account balance Line 3 **minus** line 7			$________	8
Annual allowance 7% × line 8			$________	9
CEC account balance at the end of your 2015 fiscal period Line 8 **minus** line 9			$________	10

Note
An eligible capital expenditure is reduced by the amount of any assistance received or receivable from a government for the expenditure. Also, an amount forgiven (or entitled to be forgiven) on government debt reduces your CEC account. Special conditions may apply to non-arm's length transactions.

You can deduct an annual allowance if there is a **positive** balance in your CEC account at the end of your 2015 fiscal period. You do not have to claim the full amount of the maximum annual allowance for a given year. You can deduct any amount you want, up to the maximum allowable of 7%. If your fiscal period is less than 365 days, you have to prorate your claim. Base your claim on the number of days in your fiscal period compared to 365 days.

If there is a **negative** balance in your CEC account, see "Sale of eligible capital property – 2015 fiscal period" on page 40. The following is an example of how to calculate the annual allowance and account balance.

Example
Lorin started a fishing business on January 1, 2015. Her business has a December 31 year-end. During 2015, she bought a fishing permit for $16,000. To calculate her annual allowance and her CEC account balance at the end of her fiscal year, she completes the chart as follows:

Lorin's CEC account

Balance at the start of her 2015 fiscal period	$ 0	**1**
Eligible capital expenditure Fishing permit cost for the 2015 fiscal period $ 16,000 × 75%	$ 12,000	**2**
Line 1 **plus** line 2	$ 12,000	**3**
Lorin has not sold any eligible capital property during the 2015 fiscal period. Therefore, she will **not** have any amounts on lines 4 to 8.		
Maximum annual allowance 7% × line 3	$ 840	**9**
Balance at the end of 2015 Line 3 **minus** line 9	$ 11,160	**10**

Sale of eligible capital property – 2015 fiscal period

When you sell eligible capital property, you have to subtract part of the proceeds of disposition from your CEC account.

You have to do this calculation if you sold eligible capital property:

- in your 2015 fiscal period; or
- before June 18, 1987, and the proceeds of disposition become due to you in your 2015 fiscal period.

For 2015, the amount you have to subtract is 75% of the **total** of these amounts:

- the proceeds of disposition of all the eligible capital property you sell in your 2015 fiscal period (include the total amount from a sale even if you get any or all of the proceeds after 2015); and
- the amount of any proceeds that become due to you in your 2015 fiscal period from eligible capital property you sold before June 18, 1987.

There may be a negative amount (excess) in your CEC account after you subtract the required amount. In this case, you will have to include part of the negative amount in your fishing income.

Multiply by 2/3 the part of the negative amount in your CEC account that exceeds the annual allowances deducted. To that result, add whichever is less, the excess or annual allowances deducted. This is the amount to include in your fishing income. The following example shows how to calculate the amount to include in your fishing income.

Example
Bill started his fishing business on January 1, 2009, with a **December 31** year-end. In 2009, he bought a fishing permit for $10,000. Bill sold his fishing business on September 1, 2015. He sold his fishing permit for $15,000 and he does not have any other eligible capital property in his business.

He deducted annual allowances each year as follows:

Year	Amount
2009	$ 525
2010	$ 488
2011	$ 454
2012	$ 422
2013	$ 393
2014	$ 365
Total	$2,647

The amount that Bill has to include in his fishing income is calculated as follows:

Calculation of amount A
Excess amount calculated as follows:

Proceeds of disposition x 75% $15,000 × 75%	$ 11,250	
Plus: Total annual allowances deducted	$ 2,647	**(i)**
	$ 13,897	
Minus: Eligible capital expenditures × 75% $10,000 × 75%	$ 7,500	
Excess amount	$ 6,397	**(ii)**
The **lesser of** (i) and (ii)	$ 2,647	**A**

Calculation of amount B

Excess amount	$ 6,397	
Minus: Total annual allowances deducted	$ 2,647	
	$ 3,750	**B**

Calculation of amount C

Line B × 2/3	$ 2,500	**C**

Taxable amount from the sale of the fishing permit:
Line A **plus** line C $ 5,147

Bill includes $5,147 on line 9600, "Other income" of Form T2121.

If the fishing permit sold by Bill is considered to be a qualified fishing property, part of the fishing income may be eligible for the capital gains deduction.

Election

Under certain conditions, you can elect (choose) to treat the disposition of eligible capital property (ECP), (other than goodwill), as a capital gain instead of including it in the "Calculating your annual allowance and your CEC account balance at the end of your 2015 fiscal period" chart on page 39.

If you make the election, the proceeds of disposition on lines 4 and 5 of the chart are considered to be equal to the original cost.

You can then declare a capital gain equal to your actual proceeds of disposition **minus** the cost of acquisition. Report the details on the "Real Estate, depreciable property, and other properties" line of Schedule 3, *Capital Gains (or Losses) in 2015*. This election will benefit you if you have unused capital losses to apply against the capital gain.

The election is only available if you meet all of the following conditions:

- you disposed of an eligible capital property other than goodwill;
- the cost of the eligible capital property can be determined;
- the proceeds of disposition exceed the cost; and
- you do not have an exempt gains balance.

The election may also help if you are eligible to claim a capital gains deduction and you disposed of an ECP that is a qualified fishing property. If you disposed of an ECP that was a qualified fishing property, any deemed gain reported under the election is also considered to be from a disposition of qualified fishing property.

If this is the case, report the details on the "Qualified fishing property" line on Schedule 3, *Capital Gains (or Losses) in 2015*, instead of the "Real estate, depreciable property, and other properties" line. See "Qualified farm or fishing property and cumulative capital gains deduction" on page 42.

Attach a note to your income tax return stating you are electing under subsection 14(1.01) of the *Income Tax Act*.

Replacement property

If you dispose of an eligible capital property and replace it with another one for the same or similar use, you can elect to postpone all or part of any gain on the disposition. This happens if you acquire a replacement eligible capital property within a certain period of time. To do this, you have to replace the property no later than one year after the end of the tax year in which you dispose of the original property. For more information, see the latest archived Interpretation Bulletin IT-259R4, *Exchange of Property*.

For more information about eligible capital expenditures, see the latest archived Interpretation Bulletin IT-143R3, *Meaning of Eligible Capital Expenditures*.

Eligible capital property of a deceased taxpayer

Upon death, a taxpayer is deemed to have disposed of eligible capital property immediately prior to death, for proceeds of disposition equal to 4/3 of the cumulative eligible capital property at that time.

The person who acquires the eligible capital property from the deceased is deemed to acquire it at the deemed disposition amount mentioned in the previous paragraph.

Chapter 6 – Fishing losses

When your fishing business expenses are more than the fishing business income in a year, you have a net loss. If your net loss from fishing is higher than your other income in the current year, you will be able to carry back or carry forward the balance to reduce your taxes in other years. For example, in 2015 your fishing income was $18,000 and your total fishing expenses were $25,000. Therefore, your net loss from fishing was $7,000 [$18,000 – $25,000 = ($7,000)]. Also, you had employment income of $2,000. To check if you are able to carry back or carry forward part of this loss, you subtract your other income from your net loss from fishing ($7,000 – $2,000 = $5,000). In this example, you would be able to carry back or carry forward a loss of $5,000.

Fishing and non-capital losses

Fishing losses

You may have net fishing income in 2015 instead of a fishing loss. If so, you may be able to apply to your 2015 income tax return fishing losses you had from 2005 to 2014. You can apply these losses as long as you did not already deduct them. You have to apply the loss from the earliest year first before you apply the losses from later years. Enter def 252 of your income tax return.

You may have a fishing loss in 2015. If you do, you can carry back this loss for 3 years or carry it forward for up to 20 years. To carry back a 2015 loss, fill in Form T1A, *Request for Loss Carryback*, and attach one copy of the form to your 2015 income tax return. Do not file an amended return for the year to which you want to apply the loss.

Non-capital losses

You may have incurred a loss in 2015 from a business other than fishing. If this loss is more than your other income for the year, you may have a non-capital loss. Use Form T1A, *Request for Loss Carryback*, to calculate your 2015 non-capital loss.

You can carry back your non-capital loss up to 3 years. You can carry forward non-capital losses incurred before March 23, 2004, up to 7 years. Non-capital losses incurred after March 22, 2004, and before 2006 can be carried forward 10 years. Non-capital losses incurred after 2005 can be carried forward up to 20 years.

If you choose to carry back your 2015 non-capital loss to your 2012, 2013, or 2014 income tax returns, fill in Form T1A and attach one copy of the form to your 2015 return. Do not file an amended return for the year to which you apply the loss.

For more information about non-capital losses, see the latest archived Interpretation Bulletin IT-232R3, *Losses – Their Deductibility in the Loss Year or in Other Years*.

Chapter 7 – Capital gains

This chapter explains the capital gains rules for people who fish. General capital gains rules are covered in Guide T4037, *Capital Gains*.

Throughout this chapter, we use the terms **sell**, **sold**, **buy**, or **bought**. These words describe most capital transactions. However, the information in this chapter also applies to deemed dispositions or acquisitions. When reading this chapter, you can use the terms **sold** instead of **disposed of**, and **bought** instead of **acquired**, if they more clearly describe your situation.

How to calculate your capital gain or loss

To calculate your capital gain or loss, use the following:

Proceeds of disposition	$______	1
Adjusted cost base	$______	2
1 **minus** 2	$______	3
Outlays and expenses	$______	4
3 **minus** 4 = Capital gain (loss)	$______	5

Note
You have to calculate the capital gain or loss on each property separately.

Qualified farm or fishing property and cumulative capital gains deduction

The following is a list of updated definitions effective January 1, 2014:

- the new definition **qualified farm or fishing property** (QFFP) replaced the two previous definitions:
  – qualified farm property (QFP); and
  – qualified fishing property (QXP);
- the new definition **interest in family-farm or fishing partnership** replaced the two previous definitions:
  – interest in family-farm partnership; and
  – interest in family-fishing partnership;
- the new definition **share of the capital stock of a family-farm or fishing corporation** replaced the two previous definitions:
  – share of the capital stock of a family-farm corporation; and
  – share of the capital stock of a family-fishing corporation.

What is qualified farm or fishing property?

Qualified farm or fishing property (QFFP) is certain property you, your spouse, or common-law partner own. It is also certain property owned by a family-farm or fishing partnership in which you, your spouse, or common-law partner holds an interest. We define spouse and common-law partner in the *General Income Tax and Benefit Guide*.

Qualified farm or fishing property includes:

- a real property or a fishing vessel that was used in the course of carrying on the business of fishing;
- a share of the capital stock of a family-farm or fishing corporation you, your spouse, or common-law partner own;
- an interest in a family-farm or fishing partnership you, your spouse, or common-law partner own; or
- an eligible capital property used in the course of carrying on the business of fishing in Canada.

Cumulative capital gains deduction

If you have a taxable capital gain from the sale of qualified farm or fishing property (QFFP), you may be able to claim a capital gains deduction.

For dispositions in 2015 of QFFP, the lifetime capital gains exemption is $813,600.

The lifetime capital gains exemption (LCGE) for QFFP sold after April 20, 2015 increases to $1,000,000. The additional deduction is the difference between $500,000 (50% of $1,000,000) and the amount of the existing maximum base capital gains deduction for qualifying properties ($406,800 for 2015). The value of this new deduction will phase out as the maximum base capital gains deduction for qualifying properties increases through indexation.

This additional deduction for taxable capital gains from the disposition of QFFP can only be used after the existing maximum base capital gains deduction that applies to both QFFP and qualified small business corporation shares ($406,800 for 2015) is used.

Existing rules on the base capital gains deduction also apply to the additional deduction for taxable capital gains from the disposition of QFFP.

Where a trust determines and designates an amount as a beneficiary's taxable capital gain from the disposition after April 20, 2015 of QFFP, the beneficiary is deemed to have a taxable capital gain of that amount from the disposition after April 20, 2015 of QFFP. Therefore the additional deduction for taxable capital gains from the disposition of QFFP is available to the beneficiary.

For more information on how to calculate your capital gains deduction, see Form T657, *Calculation of Capital Gains Deduction for 2015*, and Form T936, *Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 2015*.

You may be a partner in a partnership that sold capital property. In this case, the partnership would allocate any taxable capital gains or allowable capital losses to the partners. If you are allocated a share of a taxable capital gain on QFFP, you may be entitled to claim a capital gains deduction.

The LCGE rules on certain farming or fishing property, shares or interests include taxpayers involved in a combination of farming and fishing businesses.

- Property held directly or through a partnership:
  - Where an individual carries on farming or fishing business as a sole proprietor, or through a partnership, in order to be eligible for the LCGE, the qualifying property must be used mainly in a farming business or a fishing business. Eligibility for the LCGE extends to property of an individual used mainly in a combination of farming and fishing.
- Shares or partnership interests:
  - In order for an individual's shares in a family corporation or interest in a family partnership to qualify for the LCGE, all or substantially all (generally interpreted as 90% or more) of the fair market value of the property of the entity must be property used mainly in a farming business or a fishing business. A property held by a family-farm corporation or partnership that is used in a combination of farming and fishing must be used mainly in farming in order to count towards the "all or substantially all" test. A similar rule applies for a property held by a family-fishing corporation or partnership.

    Eligibility for the LCGE extends to an individual's shares in a corporation, or interest in a partnership, where the corporation or partnership carries on both a farming business and a fishing business. In particular, if a property of the corporation or partnership is used mainly in either business, or is used mainly in a combination of farming and fishing, the property will count towards the all or substantially all test.

Real property or eligible capital property

Real property or eligible capital property is qualified fishing property only if it is used to carry on a fishing business in Canada by **any** of the following:

- you, your spouse or common-law partner, or any of your parents or children (we define children on page 43);
- the beneficiary of a personal trust, or the spouse or common-law partner, parent, or child of such a beneficiary;
- a family-fishing corporation where any of the above persons owns a share of the corporation; or
- a family-fishing partnership where any of the above persons (except a family-fishing corporation) owns an interest in the partnership.

We will consider real or eligible capital property to be used to carry on a fishing business in Canada if you meet the following conditions:

- throughout the 24 months before the sale, you, your spouse or common-law partner, any of your children or parents, a personal trust from which one of these persons acquired the property, or a family-fishing partnership (in which any of these persons has an interest) must have owned the property; and
- you meet **one** of the following two conditions:
  - while the property was owned by any of the above persons in at least two years; the property or the property it replaced was mainly used in a fishing business in Canada in which any of the above persons was actively engaged on a regular and ongoing basis. Also, while the property was owned by any of the above persons in at least two years; the person's gross income from the fishing business was larger than the person's income from all other sources in the year; or
  - a family-farm partnership or corporation used the property for at least 24 months, to carry on a farming business in Canada. Also, during this time, you, your spouse or common-law partner, any of your children, or your parents must have been actively engaged on a regular and ongoing basis in the farming business.

Transfer of fishing property to a child

You may be able to transfer Canadian fishing property to your child. When you do this, you can postpone tax on any taxable capital gain and any recapture of capital cost allowance until the child sells the property. To do this, **both** of these conditions must be met:

- your child is a resident of Canada just before the transfer; and
- the fishing property was in Canada, depreciable property in Canada of a prescribed class, or eligible capital property in respect of a fishing business carried on in Canada, and has been used in a fishing business in which you, your spouse or common-law partner, or any of your children were actively engaged on a regular and ongoing basis before the transfer.

The rules on intergenerational transfers of certain farming and fishing property from an individual to the individual's child include taxpayers involved in a combination of farming and fishing businesses.

Where an individual carries on farming or fishing business as a sole proprietor, or through a partnership, in order to be eligible for the intergenerational transfer, the qualifying property must be used mainly in a farming business or a fishing business. Eligibility for the intergenerational transfer extends to property of an individual used mainly in a combination of farming and fishing.

Your **children** include:

- your natural child, your adopted child, or your spouse's or common-law partner's child;
- your grandchild or great-grandchild;
- your child's spouse or common-law partner; or
- another person who is wholly dependent on you for support and who is, or was immediately before the age of 19, in your custody and under your control.

The following types of property qualify for this transfer:

- land used in a fishing business;
- depreciable property, including buildings; or
- eligible capital property.

Furthermore, a share of the capital stock of a family-fishing corporation and an interest in a family-fishing partnership also qualify for this transfer if your child is a resident of Canada just before the transfer.

The rules on intergenerational transfers of certain farming and fishing property from an individual to the individual's child include taxpayers involved in a combination of farming and fishing businesses.

- Shares or partnership interests:
  - In order for an individual's shares in a family corporation or interest in a family partnership to qualify for the intergenerational transfer, all or substantially all (generally interpreted as 90% or more) of the fair market value of the property of the entity must be property used mainly in a farming business or a fishing business. Eligibility for the intergenerational transfer extends to an individual's shares in a corporation, or interest in a partnership, where the corporation or partnership carries on both a farming business and a fishing business. In particular, if a property of the corporation or partnership is used mainly in either business, or is used mainly in a combination of farming and fishing, the property will count towards the all or substantially all test.

For most property, the transfer price can be any amount between the adjusted cost base (ACB) and its FMV. For depreciable property, the transfer price can be any amount between its UCC and its FMV. For eligible capital property, the transfer price can be any amount between:

- its FMV; and
- $4/3 \times \text{your cumulative eligible capital property from the fishing business} \times \frac{\text{FMV of the property}}{\text{FMV of all your eligible capital property from the fishing business}}$

Example
Wade wants to transfer these fishing properties to Vicky, his 19-year-old daughter.

Fishing boat
ACB ....$ 85,000
FMV at the time of transfer ....$ 100,000

Fishing licence
FMV ....$ 9,000
UCC at the time of transfer ....$ 7,840

Therefore, Wade can transfer:

- the fishing boat at any amount between $85,000 (ACB) and $100,000 (FMV); and
- the fishing licence at any amount between $7,840 (UCC) and $9,000 (FMV).

If Wade chooses to transfer the fishing boat at its ACB and the fishing licence at its UCC, he postpones any taxable capital gain and any recapture of CCA. Also, if he does this, we consider that Vicky acquires the fishing boat at $85,000 and the fishing licence at $7,840. When Vicky disposes of the fishing boat and the fishing licence, she will include in her income any taxable capital gain and recapture that Wade postpones.

Transfer of fishing property to a child if a parent dies in the year

We allow a tax-free transfer of a deceased taxpayer's Canadian fishing property to a child if **all** of these conditions are met:

- the child was resident in Canada just before the parent's death;
- the property was used under the current law, mainly in a fishing business on a regular and ongoing basis by the deceased, the deceased's spouse or common-law partner, or any of the children before the parent's death; and
- the property was transferred to the child no later than 36 months after the parent's death. In some cases, we may allow the transfer even if it took place later than 36 months after the parent's death.

Note
The rules under "Transfer of fishing property to a child" also apply in this section.

The following types of fishing property qualify for this transfer:

- land or depreciable property used mainly in a fishing business; and
- a share of the capital stock of a family-fishing corporation, and an interest in a family-fishing partnership.

For most property, the transfer price can be any amount between the ACB and its FMV.

For depreciable property, the transfer price can be an amount between the property's FMV and a special amount. For more information, see Chapter 4, "Deemed disposition of Property," in Guide T4011, *Preparing Returns for Deceased Persons*.

The deceased's legal representative will choose the amount in the year of death. We consider the child to acquire these properties at the amount chosen.

Similar rules apply for property that a deceased person leased to the family-fishing corporation or partnership.

For eligible capital property, the transfer amount is equal to 4/3 of the cumulative eligible capital property at that time. See "Eligible capital property of a deceased taxpayer" on page 41.

If a child gets a fishing property from a parent and the child later dies, the property can be transferred to the surviving parent based on the same rules.

Shares or other property of a family-fishing holding corporation can also be transferred based on the same rules, from a spouse or common-law partner trust to a child of the settlor. The settlor is the person who sets up a trust, or the person who transfers property to a trust.

Transfer of fishing property to a spouse or common-law partner

A fisher can transfer capital fishing property to a spouse or common-law partner or to a spousal or common-law partner trust during the fisher's lifetime. At the time of the transfer, the fisher can postpone any taxable capital gain or recapture of CCA.

If the spouse or common-law partner later disposes of the property, the fisher, not the spouse or common-law partner, generally has to report any taxable capital gain. This rule applies where the fisher is living at the time the spouse or common-law partner sells the property. However, there are exceptions to this rule. For more information, see the latest archived Interpretation Bulletin IT-511R, *Interspousal and Certain Other Transfers and Loans of Property*.

A transfer of fishing property can also occur after the fisher dies. For more information, see Chapter 4, "Deemed Disposition of Property," in Guide T4011, *Preparing Returns for Deceased Persons*.

Other special rules

You may also be able to postpone paying tax on capital gains in the following situations.

Reserves

When you dispose of a capital property, you usually receive full payment at that time. However, sometimes you receive the amount over a number of years. Generally, a reserve allows you to defer reporting part of the capital gain to the year in which you receive the proceeds.

For example, you may sell a boat for $50,000 and receive $10,000 at the time of the sale. You receive the remaining $40,000 over four years. In this situation, you can claim a reserve. However, there is a limit to the number of years you can do this.

For more information on reserves, see Guide T4037, *Capital Gains*, and Form T2017, *Summary of Reserves on Dispositions of Capital Property*.

Exchanges or expropriations of property

There are special rules that apply when you dispose of a property and replace it with a similar one, or when someone expropriates your property. For more information, see the latest archived interpretation bulletins IT-259R4, *Exchange of Property,* and IT-491, *Former business property*, and its Special Release.

Information reporting of tax avoidance transactions

Taxpayers, advisors and promoters who engage in or who are entitled to certain fees in relation to certain tax avoidance transactions are subject to new reporting requirements.

The measures apply to certain avoidance transactions entered into after 2010, and avoidance transactions that are part of a series of transactions that started before 2011 and were completed after 2010.

A transaction will be reportable if it is an avoidance transaction as defined in subsection 245(3) of the *Income Tax Act* for purposes of the general anti-avoidance rule (GAAR) and has at least two of the following three characteristics:

- the advisor or promoter has or had an entitlement to certain types of fees;
- the advisor or promoter has or had confidential protection with respect to the transaction;
- the taxpayer or the advisor or promoter (including any non-arm's length parties) has or had contractual protection for the transaction (other than as a result of certain types of fees).

A reportable transaction does not include a transaction that is, or is part of, a series of transactions that includes the acquisition of a tax shelter or issuance of a flow-through share for which an information return has been filed with the minister under subsections 237.1(7) or 66(12.68), respectively.

Information return RC312, *Reportable Transaction Information Return*, must be filed on June 30 of the calendar year following the calendar year in which the transaction first became a reportable transaction for the person. An extended reassessment period is allowed under paragraph 152(4)(*b*.1) of the *Income Tax Act*.

Failure to report could result in suspension of the tax benefit and a penalty for failure to report.

File this return separately from your tax return. Before you file it, make a copy for your records. Send the original return, amended return, or any additional information to:

Other Programs Unit
Validation and Verification Section
Ottawa Technology Centre
875 Heron Road
Ottawa ON K1A 1A2

Capital cost allowance (CCA) rates

Below you will find the more common depreciable properties that a fishing business may use. The CCA rates appear at the end of the list.

Depreciable property	Class No.
Boats and component parts	7
Breakwaters	
Cement or stone	3
Wood	6
Buildings and component parts	
Wood, galvanized, or portable	6
Other:	
Acquired after 1978 and before 1988*	3
Acquired after 1987	1
Chain saws	10
Computer equipment and systems software	
Acquired before March 23, 2004	10
Acquired after March 22, 2004	45
Acquired after Jan. 27, 2009 and before Feb. 2011	52
Computer software (other than systems software)	8
Data network infrastructure equipment	
Acquired after March 22, 2004	46
Docks	
Cement, steel, stone, or wood	3
Drills – All types	8
Electric-generating equipment (not more than 15 kW)	8
Electric motors	8
Engines – Stationary	8
Ice machines	8
Leasehold interest	13
Nets	8
Office equipment including photocopiers, fax machines	8
Outboard motors	10
Passenger vehicles (see Chapter 4)	10 or 10.1
Power block – Purse seine	7
Pumps	8
Radar or radio equipment	
Acquired before May 26, 1976	9
Acquired after May 25, 1976	8
Tools	
Under $500	12
$500 and over	8
Trailers	10
Traps	8
Trucks	10
Weirs	3
Weirs – Fish	8
Welding equipment	8
Wharves	
Cement, steel, or stone	3
Wood	6
Windchargers	8

* You may add to or alter a Class 3 building after 1987. In this case, there is a limit on the amount you can include in Class 3. The most you can include in Class 3 is the lessor of $500,000 or 25% of the building's cost on December 31, 1987. In Class 1 include any costs you incur that are over this limit.

Rates – Part XI

Class	Rate
Class 1	4%
Class 2	6%
Class 3	5%
Class 6	10%
Class 7	15%
Class 8	20%
Class 9	25%
Class 10	30%
Class 10.1	30%
Class 12	100%
Class 13**	
Class 45	45%
Class 46	30%
Class 50	55%
Class 52	100%

** You can claim CCA on leasehold interest, but the maximum rate depends on the type of leasehold interest and the terms of the lease.

GST/HST

Generally, if your total gross worldwide revenue from your taxable supplies of property and services (including those taxable at 0%) and those of your associates is more than $30,000 in a calendar quarter or in four consecutive calendar quarters, you have to register for GST/HST.

We consider crew members who receive a share of the catch, commonly known as **sharespeople**, to be self-employed. Therefore, they may also have to register for GST/HST.

If your gross revenue is $30,000 or less, you do not have to register for GST/HST, but you may do so voluntarily. It may benefit you to register because GST/HST registrants can claim **input tax credits**. These credits allow you to recover the GST/HST you have paid or owe for purchases and expenses made to provide taxable goods and services at the rates of 0%, 5%, 13%, 14% or 15%.

Examples of sales and purchases that are **taxable** at 5%, 13%, 14% or 15% include:

- fish or other marine or freshwater animals sold as bait for recreational fishing;
- fish or other marine or freshwater animals not ordinarily used as food for human consumption;
- traps, pots, and cages;
- fish boxes;
- navigation equipment;
- repair and maintenance materials; and
- stationary engines and outboard motors.

Many fish products and certain large fishing equipment are taxable, but at the rate of 0%. We refer to these as "**zero-rated goods**." You do not pay GST/HST when you buy these products, and you do not charge GST/HST when you sell them to your customers.

Examples of **zero-rated** fishing products and equipment include:

- most fish feed and other specified products when sold in quantities of at least 20 kg. For more information, see GST/HST Memoranda Series 4-4, *Agriculture and Fishing*;
- fish or other marine or freshwater animals, such as oysters, clams, and mussels, not further processed than frozen, salted, smoked, dried, scaled, eviscerated, or filleted, provided they are ordinarily used as food for human consumption, and not used as bait for recreational fishing;
- fish eggs that are produced for hatching purposes;
- fishing vessels you buy either inside or outside Canada to use in commercial fishing, if you provide all the following documents to the vendor or the customs office:
  - your GST/HST Account Number;
  - a declaration signed by you stating you intend to use the vessel in commercial fishing; and
  - your valid commercial limited-entry fishing licence number issued by Fisheries and Oceans Canada or a provincial or territorial government (licensing requirements may vary from region to region);
- the following nets and related equipment:
  - gill-nets, seines, and trawl-nets;
  - webbing, leadlines, corkline (top rope) for gill-nets, seines, and trawl-nets;
  - floats for gill-nets and seines;
  - drums for gill-nets, seines, trawl-nets, and long-lines;
  - entrapment and predator webbing;
  - trawl-net doors; and
- the following equipment and products:
  - automatic baiters, jiggers, and net-pen feeders;
  - manufactured netpens for use in aquaculture; and
  - mechanical net washers and pescalators.

GST/HST registrants may claim an **input tax credit** for the GST/HST they paid or owe for expenses used to provide taxable goods and services at the rates of 0%, 5%, 13%, 14%, or 15%.

For more information on claiming the input tax credits and the percentage of use in commercial activity, see GST/HST Memorandum 8.1, *General Eligibility Rules* and GST/HST Memorandum 8.2, *General Restrictions and Limitations*.

A limited number of goods and services you purchase are exempt from GST/HST. Because you do not pay GST/HST on these goods and services, there is no input tax credit to claim. Examples of **exempt** goods and services include:

- commercial fishing licence fees;
- insurance services sold by insurance companies, agents, or brokers;
- most services provided by financial institutions, such as arranging loans or mortgages; and
- most health, medical, and dental services.

For more information, see Guide RC4022, *General Information for GST/HST Registrants,* GST/HST Memorandum 4.4, *Agriculture and Fishing* and GST/HST Information Sheet GI-049, *Fishing Equipment and Products*.

Eligible registrants can file their GST/HST returns online, by using GST/HST NETFILE or the "File a return" service at **www.cra.gc.ca/mybusinessaccount**. For information about GST/HST, go to **www.cra.gc.ca/gsthst**.

Online services

My Account

Using the CRA's My Account service is a fast, easy, and secure way to access and manage your tax and benefit information online, seven days a week.

To log in to My Account, you can use either your CRA user ID and password or the Sign-in Partner option.

An authorized representative can access most of these online services through Represent a Client at **www.cra.gc.ca/representatives**.

For more information, go to **www.cra.gc.ca/myaccount**.

MyCRA – the web app for individual taxpayers on the go

Getting ready to file? Use MyCRA to check your RRSP deduction limits, look up a local tax preparer, or see what tax filing software the CRA has certified.

Done filing? Use MyCRA to see the status of your tax return and the resulting assessment.

Want information throughout the year? Use MyCRA to check your TFSA contribution room, confirm before you donate that the charity at your door is registered, and calculate the effect your donation will have on your taxes.

To get more details on what you can do with MyCRA and to access the CRA's web-based mobile app, go to **www.cra.gc.ca/mobileapps**.

Handling business taxes online

Save time using the CRA's online services for businesses. You can:

- authorize a representative, an employee, or a group of employees, who has registered with Represent a Client, for online access to your business accounts;
- request or delete authorization online through Represent a Client, if you are a representative;
- change mailing and physical addresses, as well as the address where you keep your books and records;
- file a return electronically without a web access code;
- register for online mail, get email notifications, and view your mail online;
- enrol for direct deposit, update banking information, and view direct deposit transactions;
- authorize the withdrawal of a pre-determined amount from your bank account;
- request additional remittance vouchers;
- transfer payments and immediately view updated balances, without having to calculate interest;
- stop or restart the mailing of the GST/HST return for registrants package;
- add another business to your profile;
- view answers to common enquiries, and if needed, submit account-related enquiries;
- view the account balance and instalment balance, including the corresponding transactions (for example, payments); and
- do much more.

To register or log in to our online services, go to:

- **www.cra.gc.ca/mybusinessaccount**, if you are a business owner; or
- **www.cra.gc.ca/representatives**, if you are an authorized representative or employee.

For more information, go to **www.cra.gc.ca/businessonline**.

Receiving your CRA mail online

You, or your representative (authorized at a level 2), can choose to receive most of your CRA mail for your business online.

When you or your representative registers for online mail, we will no longer mail most correspondence items. Instead, an email notification will be sent to the email address(es) provided when there is new mail available to view online. To register, select the "Manage online mail" service and follow the easy steps.

Using our online mail service is faster and easier than managing paper correspondence.

Authorizing the withdrawal of a pre-determined amount from your bank account

Pre-authorized debit (PAD) is an online, self-service, payment option. Through this option, you agree to authorize the CRA to withdraw a pre-determined payment from your bank account to pay tax on a specific date or dates. You can set up a PAD agreement using the CRA's secure My Business Account service at **www.cra.gc.ca/mybusinessaccount**. PADs are flexible and managed by you. You can view historical records, modify, cancel, or skip a payment. For more information, go to **www.canada.ca/payments** and select "Pre-authorized debit."

Electronic payments

Make your payment using:

- your financial institution's online or telephone banking services;
- the CRA's My Payment service at **www.cra.gc.ca/mypayment**; or
- pre-authorized debit at **www.cra.gc.ca/mybusinessaccount**.

For more information on all payment options, go to **www.canada.ca/payments**.

For more information

What if you need help?

If you need more information after reading this guide, visit **www.cra.gc.ca** or call **1-800-959-5525**.

Direct deposit

Direct deposit is a faster, more convenient, reliable, and secure way to get your refunds and rebates deposited directly into your account at a financial institution in Canada.

You can choose to have all amounts deposited into one account or to have refunds and rebates from different programs deposited into different accounts.

To start direct deposit or to change the banking information you have already given us, complete Form RC366, *Direct Deposit Request for Businesses*, and send it to your tax centre.

You can view your direct deposit information and online transactions at **www.cra.gc.ca/mybusinessaccount**.

For more information, go to **www.cra.gc.ca/directdeposit**.

Forms and publications

To get our forms and publications, go to **www.cra.gc.ca/forms** or call **1-800-959-5525**.

Electronic mailing lists

We can notify you by email when new information on a subject of interest to you is available on our website. To subscribe to our electronic mailing lists, go to **www.cra.gc.ca/lists**.

Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use our automated service, TIPS, by calling **1-800-267-6999**.

Teletypewriter (TTY) users

TTY users can call **1-800-665-0354** for bilingual assistance during regular business hours.

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Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the *Taxpayer Bill of Rights*.

If you are not satisfied with the service you received, try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to **www.cra.gc.ca/contact**.

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

If you are still not satisfied, you can file a service complaint by filling out Form RC193, *Service-Related Complaint*.

If the CRA has not resolved your service-related complaint, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

For more information, go to **www.cra.gc.ca/complaints** or see Booklet RC4420, *Information on CRA – Service Complaints*.

Reprisal complaint

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to **www.cra.gc.ca/reprisalcomplaints**.

Tax information videos

We have a number of tax information videos for small businesses on topics such as business income and expenses, GST/HST, and payroll. To watch our videos, go to **www.cra.gc.ca/videogallery**.

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