



## CALCULATION OF CAPITAL GAINS DEDUCTION FOR 2016

Use this form if you disposed of **qualified farm or fishing property (QFFP)** or **qualified small business corporation shares (QSBCS)** in 2016, or are reporting a reserve in 2016 from the disposition of QFFP, QSBCS, qualified farm property (QFP), or qualified fishing property (QXP). For the definitions of qualified farm or fishing property and qualified small business corporation shares, see the "Definitions" section in Guide T4037, *Capital Gains*.

### Note

You have to be a resident of Canada throughout 2016 to be eligible to claim the capital gains deduction. For the purpose of this deduction, we also consider you to be a resident throughout 2016 if you were a resident of Canada for part of 2016 and throughout 2015 or 2017.

Deferred capital gains from the disposition of QSBCS **do not qualify** for this deduction.

If you have investment income or investment expenses in 2016, complete Form T936, *Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 2016*, before you complete this form. Form T936 lists what we consider to be investment income and expenses. If you are reporting a reserve claimed on your 2015 return or claiming a reserve for 2016, you also have to complete Form T2017, *Summary of Reserves on Dispositions of Capital Property*. To get these forms go to [cra.gc.ca/forms](http://cra.gc.ca/forms) or call **1-800-959-8281**.

### What is the capital gains deduction limit?

If you disposed of QFFP, QSBCS, QFP, or QXP you may be eligible for the lifetime capital gains exemption (LCGE). Because you only include one half of a capital gain in your income, your cumulative capital gains deduction is one half the LCGE.

The total of your capital gains deductions on gains arising from dispositions in 2016 of qualifying capital property has increased to \$412,088 (one half of an increased LCGE increased by indexation to \$824,176 for 2016).

For dispositions of QFFP after April 20, 2015, the LCGE is increased to \$1,000,000. This additional deduction does not apply to dispositions of QSBCS.

- The limit on gains arising from dispositions in 2015 of qualifying capital property is \$406,800 (one half of a lifetime LCGE of \$813,600).
- The limit on gains arising from dispositions in 2014 of qualifying capital property is \$400,000 (one half of a lifetime LCGE of \$800,000).
- The limit on gains arising from the dispositions of qualifying capital property after March 18, 2007 and before 2014 is \$375,000 (one half of a lifetime LCGE of \$750,000).
- The limit on gains arising from these dispositions from 1985 to March 18, 2007 is \$250,000 (one half of a lifetime LCGE of \$500,000).

For more information, see the section called "Claiming a capital gains deduction" in Guide T4037, *Capital Gains*.

### Qualified farm or fishing property (QFFP) and qualified small business corporation shares (QSBCS)

When you dispose of QFFP or QSBCS and have a capital gain, you can claim a capital gains deduction in 2016 that is equal to one of the following amounts, whichever is **lowest**:

- your annual gains limit for 2016;
- your cumulative gains limit for 2016;
- your net taxable capital gains reported in 2016 from dispositions of QFFP or QSBCS or if you are reporting a reserve in 2016 from the disposition of qualifying capital property; and
- your maximum capital gains deduction available for 2016.

There is an election available to you if you own shares of a qualifying small business corporation that stops being a small business corporation because:

- a class of its shares is listed on a designated stock exchange; or
- after 1999, a class of another corporation's shares is listed on a designated stock exchange.

This election will allow you to report a taxable capital gain on your return and claim the \$412,088 capital gains deduction, even though you did not actually sell your shares. The deduction applies to any gain you have on these shares to the date the shares are listed. To make this election, complete Form T2101, *Election for Gains on Shares of a Corporation Becoming Public*. To get this form go to [cra.gc.ca/forms](http://cra.gc.ca/forms) or call **1-800-959-8281**.



Answer the seven questions below by ticking the corresponding **Yes** or **No** box.

If you disposed of qualified farm or fishing property (QFFP) or qualified small business corporation shares (QSBCS) in 2016, and you are **not** reporting a reserve claimed in a previous year, begin at Part 3f.

Are you reporting a reserve in 2016 on qualified farm property (QFP), qualified fishing property (QXP), or QSBCS disposed of to your child after 2006 and before March 19, 2007? .....  Yes  No Part 3a

Are you reporting a reserve in 2016 on dispositions of QFP, QXP, or QSBCS to your child after March 18, 2007 and before 2014, and/or on all other dispositions of QFP, QXP, or QSBCS after 2011 and before 2014?.....  Yes  No Part 3b

Are you reporting a reserve in 2016 on dispositions of QFFP or QSBCS to your child in 2014, and/or on all other dispositions of QFFP or QSBCS in 2014? .....  Yes  No Part 3c

Are you reporting a reserve in 2016 from the disposition of QFFP or QSBCS in 2015? .....  Yes  No Part 3d

Are you reporting a reserve in 2016 on dispositions of QFFP after April 20, 2015 and before 2016?.....  Yes  No Part 3e

Did you dispose of QFFP or QSBCS in 2016, or are you reporting a reserve in 2016 from the disposition of QFFP or QSBCS in 2016? .....  Yes  No Part 3f

Did you dispose of QFFP in 2016?.....  Yes  No Part 3g

**Part 3a – Calculating your capital gains deduction on qualified farm or fishing property, and qualified small business corporation shares**

Complete this part if you are reporting a reserve in 2016 on qualified farm property (QFP), qualified fishing property (QXP), or qualified small business corporation shares (QSBCS) disposed of to your child after 2006 and before March 19, 2007.

Maximum capital gains deduction for QFP and/or QSBCS disposed of before March 19, 2007, and/or QXP disposed of after May 1, 2006 and before March 19, 2007 .	\$250,000.00	32
Capital gains deductions from previous years (line k of Chart 2 on the last page) . . . . .	-	33
Capital gains deduction available for QFP and/or QSBCS disposed of before March 19, 2007, and/or QXP disposed of after May 1, 2006 and before March 19, 2007, included in your 2016 income (line 32 <b>minus</b> line 33; if negative, enter "0") . . . . .	=	▶ 34
Line A of Form T2017 . . . . .	_____	35
Line D of Form T2017 . . . . .	+ _____	36
Line 35 <b>plus</b> line 36; Taxable capital gains from a reserve on QFP, QXP, and/or QSBCS disposed of after 2006 and before March 19, 2007, included in your 2016 income. . . . .	= _____	× 1/2 ▶ 37
Enter the <b>lesser</b> of lines 34 and 37 . . . . .	_____	38

If you did not dispose of QFP, QXP, or QSBCS in 2016 and you are not bringing a reserve into 2016 income for any disposition after March 18, 2007, then the maximum capital gains deduction you can claim at line 254 of your 2016 return for disposition of QFP, QXP, and/or QSBCS included in 2016 income is the **lesser** of the amounts at line 14, line 31, line 34, and line 37. You can, however, choose to claim less than the maximum.

**Part 3b – Calculating your capital gains deduction on qualified farm or fishing property, and qualified small business corporation shares**

Complete this part if you are reporting a reserve in 2016 on dispositions of qualified small business corporation shares (QSBCS), qualified farm property (QFP), or qualified fishing property (QXP) to your child after March 18, 2007 and before 2014, and/or on all other dispositions of QSBCS, QFP, or QXP after 2011, and before 2014.

Maximum capital gains deduction for QSBCS, QFP, or QXP disposed of after March 18, 2007, and before 2014 .....	<u>\$375,000.00</u>	39
Capital gains deductions from previous years (line k of Chart 2 on the last page) .....	-	40
Capital gains deduction available for QSBCS, QFP, or QXP disposed of after March 18, 2007 and before 2014 included in your 2016 income (line 39 <b>minus</b> line 40; if negative, enter "0") (see note 1 below) .....	=	▶ _____ 41
Line A1 of Form T2017. If this amount is negative, enter in brackets. (see note 2 below) .....	_____	42
Line E of Form T2017. If this amount is negative, enter in brackets. (see note 3 below) .....	+ _____	43
Line 42 <b>plus</b> line 43; Taxable capital gains from a reserve on QSBCS, QFP, or QXP disposed of after March 18, 2007, and before 2014 included in your 2016 income (if negative, enter 0). =	_____ × 1/2	▶ _____ 44
Enter the <b>lesser</b> of lines 41 and 44. ....		_____ 45
Enter the amount from line 38 of Part 3a. If you did not complete Part 3a, enter "0". ....	+	_____ 46
Line 45 <b>plus</b> line 46. Total amount of capital gains included in your 2016 income that is eligible for the capital gains deduction. ....	=	_____ 47

**Notes**

1. If you completed Part 3a of this form, you must also subtract from line 39 above the amount on line 38 of Part 3a.
2. If line A1 of your Form T2017 includes a reserve from dispositions in 2014 and/or 2015 of QFFP, remove those parts from the amount you enter here.
3. If line E of your Form T2017 includes a reserve from dispositions in 2014, 2015, and/or 2016 of QSBCS, remove those parts from the amount you enter here.

If you did not dispose of QFFP or QSBCS in 2016 and you are not bringing a reserve into 2016 income for any dispositions after 2013, the maximum amount you can enter on line 254 of your 2016 return is the **lesser** of line 14, line 31, and line 47. You can, however, choose to claim less than the maximum.

**Part 3c – Calculating your capital gains deduction on qualified farm or fishing property, and qualified small business corporation shares**

Complete this part if you are reporting a reserve in 2016 on dispositions of qualified farm or fishing property (QFFP) or qualified small business corporation shares (QSBCS) to your child in 2014, and/or on all other dispositions of QFFP or QSBCS in 2014.

Maximum capital gains deduction for QFFP and/or QSBCS disposed of in 2014 .....	<u>\$400,000.00</u>	48
Capital gains deductions from previous years (line k of Chart 2 on the last page) .....	-	49
Capital gains deduction available for QFFP and/or QSBCS disposed of in 2014 included in your 2016 income (line 48 <b>minus</b> line 49; if negative, enter "0") (see note 4 below) ...	=	50
Line A1 of Form T2017. If this amount is negative, enter in brackets. (see note 5 below) .....		51
Line E of Form T2017. If this amount is negative, enter in brackets. (see note 6 below) .....	+	52
Line 51 <b>plus</b> line 52; Taxable capital gains from a reserve on QFFP and/or QSBCS disposed of in 2014 included in your 2016 income (if negative, enter "0"). .....	=	53
Enter the <b>lesser</b> of lines 50 and 53 .....	x 1/2	54
Enter the amount from the last line you completed of lines 38 and 47. If you did not complete Part 3a or 3b, enter "0". ....	+	55
Line 54 <b>plus</b> line 55. Total amount of capital gains included in your 2016 income that is eligible for the capital gains deduction .....	=	56

**Notes**

4. You must also subtract from line 48 above, the amount from the last line you completed of line 38 of Part 3a, and line 47 of Part 3b.
5. If line A1 of your Form T2017 includes a reserve from a disposition of QFFP in any year other than 2014, remove that part from the amount you enter here.
6. If line E of your Form T2017 includes a reserve from a disposition of QSBCS in any year other than 2014, remove that part from the amount you enter here.

If you did not dispose of QFFP or QSBCS in 2016, and you are not bringing a reserve into 2016 income for any disposition after 2014, the maximum amount you can enter on line 254 of your 2016 return is the **lesser** of line 14, line 31, and line 56. You can, however, choose to claim less than the maximum.

**Part 3d – Calculating your capital gains deduction on qualified farm or fishing property, and qualified small business corporation shares**

Complete this part if you are reporting a reserve in 2016 on dispositions of qualified farm or fishing property (QFFP) or qualified small business corporation shares (QSBCS) to your child in 2015, and/or on all other dispositions of QFFP or QSBCS in 2015.

Maximum capital gains deduction for QFFP and/or QSBCS disposed of in 2015 .....	<u>\$406,800.00</u>	57
Capital gains deductions from previous years (line k of Chart 2 on the last page) .....	-	58
Capital gains deduction available for QFFP and/or QSBCS disposed of in 2015 included in your 2016 income (line 57 <b>minus</b> line 58; if negative, enter "0") (see note 7 below) ..	=	▶ 59
Line B of Form T2017. If this amount is negative, enter in brackets. (see note 8 below).....		60
Line E of Form T2017. If this amount is negative, enter in brackets. (see note 9 below).....	+	61
Line 60 <b>plus</b> line 61; Taxable capital gains from a reserve on QFFP and/or QSBCS disposed of in 2015 included in your 2016 income (if negative, enter "0"). .....	=	× 1/2 ▶ 62
Enter the <b>lesser</b> of lines 59 and 62 .....		63
Enter the amount from the last line you completed of lines 38, 47, and 56. If you did not complete Part 3a, 3b, or 3c, enter "0". .....	+	64
Line 63 <b>plus</b> line 64. Total amount of capital gains included in your 2016 income that is eligible for the capital gains deduction .....	=	65

**Notes**

7. You must also subtract from line 57 above, the amount from the last line you completed of line 38 of Part 3a, line 47 of Part 3b, and line 56 of Part 3c.
8. If line B of your Form T2017 includes a reserve from a disposition of QFFP in any year other than 2015, remove that part from the amount you enter here.
9. If line E of your Form T2017 includes a reserve from a disposition of QSBCS in any year other than 2015, remove that part from the amount you enter here.

If you disposed of QFFP after April 20, 2015 and before 2016, and each of line 14 from Part 1, line 31 from Part 2, and line 65 is **greater than or equal to** line 59, complete Part 3e.

If you did not dispose of QFFP after April 20, 2015, you did not dispose of QFFP or QSBCS in 2016, and you are not bringing a reserve into 2016 income for any disposition in 2016, the maximum amount you can enter on line 254 of your 2016 return is the **lesser** of line 14, line 31, and line 65. You can, however, choose to claim less than the maximum.

**Part 3e – Calculating your capital gains deduction on qualified farm or fishing property**

Complete this part **only** if:

- you disposed of qualified farm or fishing property (QFFP) after April 20, 2015 and before 2016 and you are reporting a reserve in 2016 from the disposition of QFFP in this period; **and**
- each of line 14, line 31, and line 65 are all **greater than or equal to** line 59 of Part 3d.

**Note**

For this period there is an additional \$93,200 to the capital gains deduction limit that can only be used after your cumulative capital gains deduction of \$406,800 has been used up. This additional amount does **not** apply to dispositions of qualified small business corporation shares (QSBCS).

Maximum capital gains deduction for QFFP disposed of after April 20, 2015, and before 2016 .....	<u>\$500,000.00</u>	66
Capital gains deductions from previous years (line k of Chart 2 on the last page) .....	-	67
Capital gains deduction available for QFFP disposed of after April 20, 2015 included in your 2016 income (line 66 <b>minus</b> line 67; if negative, enter "0") (see note 10 below) ...	=	▶
Line B1 of Form T2017. If this amount is negative, enter in brackets. (see note 11 below) .....	x 1/2	▶
Enter the <b>lesser</b> of lines 68 and 69 .....		70
Enter the amount from line 65 of Part 3d. ....	+	71
Line 70 <b>plus</b> line 71 .....	=	72
Enter the <b>lesser</b> of lines 69 and 72. Total amount of capital gains included in your 2016 income that is eligible for the capital gains deduction .....		72A

**Notes**

10. You must also subtract from line 66 above, the amount from line 65 of Part 3d.
11. If line B1 of your Form T2017 includes a reserve from a disposition of QFFP in any year other than 2015, remove that part from the amount you enter here.

If you disposed of QFFP or QSBCS in 2016, or if you are reporting a reserve in 2016 from a disposition of QFFP or QSBCS, and line 72A, or the total of line 72A plus line 67 is not greater than or equal to \$500,000, complete Part 3f. Otherwise, the maximum capital gains deduction you can claim at line 254 of your 2016 income tax and benefit return is the **lesser** of the amounts at lines 14, 31, or 72A. You can, however, choose to claim less than the maximum.

**Part 3f – Calculating your capital gains deduction on qualified farm or fishing property, and qualified small business corporation shares**

Complete this part if:

- you disposed of qualified farm or fishing property (QFFP) or qualified small business corporation shares (QSBCS) in 2016; or
- you are reporting a reserve in 2016 from the disposition of QFFP or QSBCS in 2016.

Maximum capital gains deduction for QFFP and/or QSBCS .....	<u>\$412,088.00</u>	73
Capital gains deductions from previous years (line k of Chart 2 on the last page) .....	-	74
Capital gains deduction available for dispositions of QFFP and/or QSBCS (line 73 <b>minus</b> line 74; if negative, enter "0" (see note 12 below) .....	=	75

Taxable capital gains arising from dispositions in 2016, of QFFP and/or QSBCS included in your 2016 income:

Line 107 of Schedule 3 .....	_____	
Line 110 of Schedule 3 .....	+	
Line 124 of Schedule 3 .....	+	
Line B1 of Form T2017. If this amount is negative, enter in brackets. (see note 13 below) .....	+	
Line E of Form T2017. If this amount is negative, enter in brackets. (see note 14 below) .....	+	
<b>Total</b> (if negative, enter "0") .....	= _____	76
Farming/fishing income eligible for the capital gains deduction (line 173 of Schedule 3)..	+	77
Total taxable capital gains from the disposition of QFFP and QSBCS (line 76 <b>plus</b> line 77) .....	=	78
Enter the lesser of lines 75 and 78 .....		79
Enter the amount from the last line you completed of lines 38, 47, 56, 65, and 72A. ....	+	80
Add lines 79 and 80. Total amount of capital gains included in your 2016 income that is eligible for the capital gains deduction .....	=	81

**Notes**

12. You must also subtract from line 73 above, the amount from the last line you completed of line 38 of Part 3a, line 47 of Part 3b, line 56 of Part 3c, line 65 of Part 3d, and line 72A of Part 3e.
13. If line B1 of your Form T2017 includes a reserve(s) from a disposition(s) of QFFP, QFP, or QXP before 2016, remove that part from the amount you enter here.
14. If line E of your Form T2017 includes a reserve(s) from a disposition(s) of QSBCS before 2016, remove that part from the amount you enter here.

If you disposed of QFFP in 2016, and each of line 14 from Part 1, line 31 from Part 2, and line 81 is **greater than or equal to** than line 75, complete Part 3g.

If you did **not** dispose of QFFP in 2016, the maximum amount you can enter on line 254 of your 2016 return is the **lesser** of line 14, line 31, and line 81. You can, however, choose to claim less than the maximum.

**Part 3g – Calculating your capital gains deduction on qualified farm or fishing property**

Complete this part **only** if:

- you disposed of qualified farm or fishing property (QFFP) in 2016; **and**
- each of line 14, line 31, **and** line 81 are all **greater than or equal to** line 75 of Part 3f.

**Note**

For 2016 there is an additional \$87,912 to the capital gains deduction limit that can only be used after your cumulative capital gains deduction of \$412,088 has been used up. This additional amount does **not** apply to dispositions of qualified small business corporation shares.

Maximum capital gains deduction for QFFP disposed of in 2016 .....	\$500,000.00	82
Capital gains deductions from previous years (line k of Chart 2 on the last page) .....	-	83
Capital gains deduction available for QFFP disposed of in 2016 included in your 2016 income (line 82 <b>minus</b> line 83; if negative, enter "0") (see note 15 below) .....	=	▶ 84
Taxable capital gains arising from dispositions in 2016, of QFFP included in your 2016 income:		
Line 110 of Schedule 3 .....	+	
Line 124 of Schedule 3 .....	+	
Line B1 of Form T2017. If this amount is negative, enter in brackets. (see note 16 below) .....	+	
<b>Total</b> (if negative, enter "0") .....	=	× 1/2 ▶ 85
Farming/fishing income eligible for the capital gains deduction (line 173 of Schedule 3) .	+	86
Total taxable capital gains from the disposition of QFFP (line 85 <b>plus</b> line 86) .....	=	▶ 87
Enter the <b>lesser</b> of lines 84 and 87. ....		88
Enter the amount from line 81 of Part 3f. ....	+	89
Line 88 <b>plus</b> line 89. Total amount of capital gains included in your 2016 income that is eligible for the capital gains deduction .....	=	90

**Notes**

15. You must also subtract from line 82 above, the amount line 81 of Part 3f.
16. If line B1 of your Form T2017 includes a reserve from a disposition of QFFP in any year other than 2016, remove that part from the amount you enter here.

The maximum capital gains deduction you can claim at line 254 of your 2016 income tax and benefit return is the **lesser** of the amounts at lines 14, 31, or 90. You can, however, choose to claim less than the maximum.

**Chart 1 – Calculating line 26 (net capital losses of other years)**

- Column A Enter the **total** amount of net capital losses from other years claimed for each year indicated (amount from line 253 of each return).
- Column B For 1985, 1986, and 1987, enter 1/2 of the **total** reserves included in capital gains for capital property disposed of before 1985 (1/2 of those reserves reported on your Schedule 3 for 1985, 1986, and 1987).  
For 1988 and 1989, enter 2/3 of the **total** reserves included in capital gains for capital property disposed of before 1985 (2/3 of the amounts entered on line 395 of Form T2017 for 1988 and 1989).  
For 1990 and 1991, enter 3/4 of the **total** reserves included in capital gains for capital property disposed of before 1985 (3/4 of the amounts entered on line 395 of Form T2017 for 1990 and 1991).
- Column C For 1992, enter the **lesser** of the amount from line 127 of your 1992 return and the amount from line (f) in Part A of Form T936 for 1992.  
For 1993, enter the **lesser** of the amount from line 127 of your 1993 return and the amount from line (d) in Chart A of Form T936 for 1993.  
For 1994, enter the amount from line (p) in Chart B of Form T936 for 1994.  
For 1995, enter the amount from line (m) in Chart B of Form T936 for 1995.  
For 1996 to 1999, enter the **total** amount from line 17 in Chart A of Form T936 for 1996 to 1999.  
For 2000, enter the amount from line 24 in Chart A of Form T936 for 2000.  
For 2001, enter the **total** amount from line 17 in Chart A of Form T936 for 2001.  
For 2002 to 2015, enter the amount from line 10 in Chart A of Form T936 for 2002 to 2015.
- Column D For 1992, enter the amount from line (k) in Part B of Form T936 for 1992  
For 1993, enter the amount from line (k) in Chart B of Form T936 for 1993.

Year(s)	A	B	C	D	E (C – D) If negative, enter "0"	F (B + E)	G (A – F) If negative, enter "0"
1985 to 1987			N/A	N/A	N/A		
1988 and 1989			N/A	N/A	N/A		
1990 and 1991			N/A	N/A	N/A		
1992		N/A					
1993		N/A					
1994		N/A		N/A			
1995		N/A		N/A			
1996 to 1999		N/A		N/A			
2000		N/A		N/A			
2001 to 2015		N/A		N/A			

**Add** the amounts in column G and enter the result on line 26 in Part 2 of this form. Due to space restrictions, some years have been combined on a single row on this chart. However, to ensure a correct result, do the calculations **separately** for each year that applies to you.

**Chart 2 – Calculating lines 33 and 39 (capital gains deductions from previous years)**

Total capital gains deductions claimed after 1984 and before 1988 (line 254 of your 1985 to 1987 returns) .....	_____	a
Capital gains deductions claimed in 1988 and 1989 excluding eligible capital property (line 254 of your 1988 and 1989 returns <b>minus</b> any amounts reported on lines 543 and 544 on Schedule 3 for 1988 and 1989; if negative, enter "0") .....	+ _____	b
Adjustment of 1988 and 1989 capital gains deductions excluding eligible capital property (enter 1/4 of amount on line b) .....	- _____	c
Capital gains deductions claimed in 1988 and 1989 for eligible capital property (total of lines 254 of your 1988 and 1989 returns <b>minus</b> the amount on line b above; not to exceed the total of lines 543 and 544 on Schedule 3 for 1988 and 1989) .....	+ _____	d
Adjustment of 1988 and 1989 capital gains deductions for eligible capital property (enter 1/3 of amount on line d) .....	- _____	e
Total capital gains deductions claimed in 1990 to 1999 (line 254 of your returns for these years) .....	+ _____	f
Adjustment of 1990 to 1999 capital gains deductions (enter 1/3 of amount on line f) .....	- _____	g
Total capital gains deduction claimed in 2000 (line 254 of your 2000 return) .....	+ _____	h
Adjustment of 2000 capital gains deduction. <b>Amount from line h × [1 – (1 ÷ (2 × IR*))]</b> .....	- _____	i
Total capital gains deduction claimed in 2001 to 2015 (line 254 of your returns for these years) .....	+ _____	j
Total of lines a to j .....	= _____	k

\* IR represents your inclusion rate for 2000. This rate is from line 16 in Part 4 of Schedule 3 for 2000, or from your notice of assessment or latest notice of reassessment for 2000.