

**FEDERAL AND PROVINCIAL OR TERRITORIAL FOREIGN INCOME TAX
CREDITS AND FEDERAL LOGGING TAX CREDIT (2010 and later tax years)**

Name of corporation	Business Number	Year	Tax year-end Month	Day
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- Corporations resident in Canada at any time in the year and authorized foreign banks can use this schedule to claim a federal foreign non-business income tax credit, a federal foreign business income tax credit, or a provincial or territorial foreign non-business income tax credit.
- Corporations can use this schedule to claim a federal logging tax credit.
- Calculate the foreign income tax credits for each country separately. Attach another schedule if the corporation is claiming credits for more than five countries.
- Calculate the provincial/territorial foreign non-business income tax credits for each country and province or territory separately.
- References to parts, sections, subsections, and paragraphs are from the federal *Income Tax Act*.

Part 1 – Calculation of federal foreign non-business income tax credit

A	B	C	D	E	F
Country of source of foreign non-business income	Net foreign non-business income earned in the year *	Foreign non-business income tax paid for the year **	Foreign non-business income tax paid, deducted from income under subsection 20(12)	(C – D)	Adjusted net income (amount from line 600 in Part 6)
100	110	120	130		
1.					
2.					
3.					
4.					
5.					

G	H	I
Part I tax otherwise payable (amount from line 610 in Part 7)	(B × G) ÷ F (amount in column H cannot be more than amount in column G)	Deductible credit: lesser of amounts E and H
		180
1.		
2.		
3.		
4.		
5.		

Total deductible federal foreign non-business income tax credit

Enter the total deductible federal foreign non-business tax credit, or a lesser amount, on line 632 of the T2 return.

* Exclude income that is exempt from tax in Canada under an income tax treaty, dividends received from foreign affiliates, and tax-exempt income as defined in subsection 126(7). Net foreign non-business income is the excess of qualifying income over qualifying losses, which are determined according to subsection 126(9).

** Exclude taxes paid to a foreign government on income that is exempt from tax in Canada under an income tax treaty; foreign taxes paid on dividends received from foreign affiliates; and any foreign taxes that may reasonably be regarded as relating to an amount that any other person or partnership has received, or is entitled to receive, from that government.

Exclude taxes paid for property (other than capital property) from which the corporation is not expected to realize a profit.

Exclude taxes paid that are in excess of the limit and paid for dividends and interest on a share or debt obligation held for one year or less.

Exclude taxes attributable to amounts received or receivable for eligible loans.

Part 2 – Calculation of federal foreign business income tax credit

A	B	C	D	E	F
Country in which foreign business income was earned	Net foreign business income earned in the year *	Foreign business income tax paid for the year **	Unused foreign income tax credits from previous tax years	Total of columns C and D	Adjusted net income (amount from line 600 in Part 6)
200	210	220	230		
1.					
2.					
3.					
4.					
5.					

G	H	I	J
Part I tax otherwise payable (amount from line 620 in Part 8)	Part I tax otherwise payable minus foreign non-business income tax credits claimed	(B × G) ÷ F	Deductible credit: the least of amounts E, H, and I
			280
1.			
2.			
3.			
4.			
5.			

Total deductible federal foreign business income tax credit

Enter the total deductible federal foreign business income tax credit, or a lesser amount, on line 636 of the T2 return.

* Exclude income that is exempt from tax in Canada under an income tax treaty and tax-exempt income as defined in subsection 126(7). Net foreign business income is the excess of qualifying income over qualifying losses, which are determined according to subsection 126(9).

** Exclude taxes paid to a foreign government on income that is exempt from tax in Canada under an income tax treaty. Also exclude any foreign taxes that may reasonably be regarded as relating to an amount that any other person or partnership has received or is entitled to receive from that government.

Exclude taxes paid for property (other than capital property) from which the corporation is not expected to realize a profit.

Exclude taxes paid that are in excess of the limit and paid for dividends and interest on a share or debt obligation held for one year or less.

Part 3 – Continuity of unused federal foreign business income tax credits

K	L	M *	N	O
Country in which foreign business income was earned 345	Balance at end of the previous tax year	Amount expired in the year 348	Opening balance (L – M) 350	Credits transferred on an amalgamation or the wind-up of a subsidiary 360
1.				
2.				
3.				
4.				
5.				

* An unused federal foreign business income tax credit expires as follows:

- after 7 tax years if it was earned in a tax year ending before March 23, 2004; or
- after 10 tax years if it was earned in a tax year ending after March 22, 2004.

P	Q	R	S
Foreign business income tax paid for the year (from column C of Part 2)	Foreign business income tax credit deductible in the year (cannot be more than the amount in column J of Part 2)	Carryback to previous years (total of amounts in columns V, W, and X of Part 4)	Closing balance (N + O + P – Q – R) 380
1.			
2.			
3.			
4.			
5.			

Part 4 – Request for a federal foreign business income tax credit carryback

T	U	V	W	X
Country in which foreign business income was earned 900	Unused foreign business income tax credit (Part 3, (P – Q))	Carryback to 1st previous tax year 901	Carryback to 2nd previous tax year 902	Carryback to 3rd previous tax year 903
1.				
2.				
3.				
4.				
5.				

Note: Total of carryback (amounts from columns V, W, and X) cannot be more than the unused foreign business income tax credit (amount from column U).

Part 5 – Calculation of federal logging tax credit

A	B	C	D	E	F
Province	Income from logging under Regulation 700	Amount B × 6 2/3%	Logging tax paid on income in column B	Amount D × 2/3	Lesser of amounts C and E
B.C.	500		510		
Quebec	520		530		

Total G

6 2/3% of taxable income (or, for non-residents, 6 2/3% of taxable income earned in Canada) H

Federal logging tax credit – Lesser of amounts G and H (enter amount I or a lesser amount on line 640 of the T2 return) **580** I

If you need more space, continue on a separate schedule.

Part 6 – Adjusted net income

Line references are from page 3 of the T2 return.

To be completed by all corporations other than an authorized foreign bank

Net income for income tax purposes (line 300) (if negative, enter "0")

Deduct:

Net capital losses claimed under paragraph 111(1)(b) (line 332)

Taxable dividends deductible under sections 112 and 113

Amount deductible under paragraph 110(1)(d.2) for prospector's and grubstaker's shares (line 350)

Subtotal (if negative, enter "0")**Add:**

Amount added to taxable income for foreign tax deductions under section 110.5 (line 355)

Total **A****To be completed by an authorized foreign bank only**Taxable income earned in Canada (line 360) (if negative, enter "0") **B**

Income from its Canadian banking business

(line 300) (if negative, enter "0")

Add:

Amount added to taxable income for foreign tax deductions under

subparagraph 115(1)(a)(vii) (line 355)

Subtotal **C****Amount B or C, whichever is less** **D****Adjusted net income** (amount A or D, whichever is applicable) **600****Part 7 – Part I tax otherwise payable (foreign non-business income tax credit)**

Line references are from page 7 of the T2 return.

Base amount of Part 1 tax (line 550)

Deduct:

Federal tax abatement (line 608)

Investment corporation deduction (line 620)

Additional deduction for credit unions (line 628)

General tax reduction (line 639)

Subtotal**Add:**

Corporate surtax (line 600)

Recapture of investment tax credit (line 602)

Refundable tax on Canadian-controlled private corporation's (CCPC) investment income (line 604)

Part I tax otherwise payable **610****Part 8 – Part I tax otherwise payable (foreign business income tax credit)**

Line references are from page 7 of the T2 return.

Base amount of Part I tax (line 550)

Deduct:

Investment corporation deduction (line 620)

Additional deduction for credit unions (line 628)

General tax reduction for CCPCs (line 638)

General tax reduction (line 639)

Subtotal**Add:**

Corporate surtax (line 600)

Recapture of investment tax credit (line 602)

Part I tax otherwise payable **620**

Provincial or territorial foreign tax credit

- Use this page to calculate your provincial or territorial foreign tax credit.
- Complete a separate calculation for each province or territory for which you are claiming the credit. If you have foreign non-business income from more than one country, complete a separate calculation for each country and total these calculations to determine the credit for the applicable province or territory.

Province or territory for which you are claiming this credit _____

Country of source of foreign non-business income _____

Part 9 – Calculation of provincial or territorial foreign tax credit

Foreign non-business income tax available for provincial or territorial foreign tax credit:

Foreign non-business income tax paid for the year (amount from column C in Part 1) A

Deduct:

Foreign non-business income tax paid, deducted from income
under subsection 20(12) (amount from column D in Part 1) B

Subtotal (amount A minus amount B) (amount from column E in Part 1) C

Federal foreign non-business income tax credit deductible (amount from column I in Part 1) D

Foreign non-business income tax credit available (amount C minus amount D) E

Note: If amount E is zero, no provincial or territorial foreign tax credit may be claimed in respect of the foreign country.

Amount E _____ × $\frac{\text{taxable income earned in the province or territory}^*}{\text{taxable income}^{**}}$ _____ = F

Limit on amount of foreign non-business income taxes that can be claimed:

Net foreign non-business income earned in the year (amount from column B in Part 1) G

Amount G _____ × provincial or territorial tax rate _____% *** H

Amount H _____ × $\frac{\text{taxable income earned in the province or territory}^*}{\text{taxable income}^{****}}$ _____ = I

Provincial or territorial foreign tax credit (lesser of amount F and amount I) J

Enter amount J on the corresponding line in Part 2 of Schedule 5, *Tax Calculation Supplementary – Corporations*. If you have more than one calculation of the credit for a province or territory, enter the total credits calculated on the corresponding line in Part 2 of Schedule 5.

For Ontario, if the corporation is not a life insurance corporation, also enter amount J on line 550 of Schedule 510, *Ontario Corporate Minimum Tax*.

* Enter the amount allocated to the province or territory in column F from Part 1 of Schedule 5. For Nova Scotia and Newfoundland and Labrador, include their respective offshore areas. For Ontario, if the corporation's taxable income is nil, calculate the amount in column F as if the taxable income were \$1,000.

** Exclude taxable income earned outside Canada. For Ontario, if the corporation's taxable income is nil, enter "1,000."

*** For all provinces and territories except Ontario, use the higher tax rate. If the rate has changed during the tax year, use the average rate based on the number of days in the tax year before and after the change. For Ontario, use the basic rate of tax calculated in Part 1 of Schedule 500, *Ontario Corporation Tax Calculation*.

**** Enter the amount from line 360 or line Z, whichever applies, from page 3 of the *T2 Corporation Income Tax Return*. For Ontario, if the corporation's taxable income is nil, enter "1,000."