



PART XII.3 TAX RETURN TAX ON INVESTMENT INCOME OF LIFE INSURERS

- For use by life insurers to calculate the Part XII.3 tax on taxable Canadian life investment income for the year.
- Complete and file two copies of this return, separately from any other return, to the Tax Centre serving the life insurer's head office, on or before the due date of the insurer's *T2 Corporation Income Tax Return*.
- Terms used in this return are explained on the following page.
- Penalties apply if this return is not filed by the due date. Such penalties and any unpaid taxes include interest compounded daily at a prescribed rate.
- All legislative references on this return are to the federal *Income Tax Act* and *Income Tax Regulations*.
- All amounts in the attached schedules 1 to 4 are to be calculated for each policy separately, and then totalled before entering the figures.

Do not use this area

Name of life insurer				Business number				
Address				Postal code				
Tax year for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office
Name of person to contact for more information				Area code		Telephone number		

Part XII.3 summary

Complete the following calculation using the amounts determined on the following pages of this return:

Basic investment income – amount A from Schedule 2	_____	1
Add: Claims fluctuation reserve adjustment – amount B from Schedule 3	_____	2
Subtotal (line 1 plus line 2)	_____	3
Deduct: Adjustment for amounts reported to policyholders – amount C from Schedule 4	_____	4
Canadian life investment income (loss) for the year (line 3 minus line 4) (see note)	_____	5
Deduct: Canadian life investment loss carryforward applied during the year – from Schedule 5	_____	6
Taxable Canadian life investment income (line 5 minus line 6)	=====	7

Part XII.3 tax payable for the year – 15% of taxable Canadian life investment income (line 7) _____
Deduct: Instalments paid _____

If the result is negative, you have an **overpayment**. If the result is positive, you have a **balance unpaid**. **Balance** _____
 Generally, we do not charge or refund a difference of \$2 or less.

Tick the box that applies: Overpayment Balance unpaid _____ Enclosed payment

Note
 If you have a Canadian life investment loss for the year, no Part XII.3 tax is payable. You can carry forward this loss and apply it against Canadian life investment income in later tax years. The carry-forward periods for unused losses are given in Schedule 5 on page 4.

According to section 211.3 of the Act, instalments on account of Part XII.3 tax are payable monthly during the tax year. Any remainder is payable on or before the corporation's balance due date for the tax year. Attach a cheque or money order payable to the Receiver General for Canada. Specify "T2142" on the remittance and indicate the name, Business Number, and the tax year of the insurer whose account is to be credited.

Certification

I, _____, certify that the information given in this
(please print)
 return and in any attached documents, is to the best of my knowledge, true, correct, and complete.

Signature of authorized officer

Position or office

Date

Do not use this area

Terms

The following terms used in this return provide general guidance for the calculations required under the Act. For precise requirements, please see section 211 of the Act.

- **V122487 interest rate** (*iⁿ*) used in calculating income under Part XII.3 is the moving average rate for the 60-month period before the tax year on certain Government of Canada bonds. See subsection 211(1). For corporations with December 31 year-ends, and not having a short tax year, (*iⁿ*) has the following values: 5.24% for 2006; 4.94% for 2007; 4.68% for 2008; 4.43% for 2009; 4.19% for 2010; and 4.05% for 2011. For years not shown on this form, please contact your tax services office to get the V122487 interest rate (*iⁿ*).
- **CFRmax** represents the maximum amount that would be determined under Regulation 1401(1)(c.1) for the policy, if Regulation 1401(1) applied to all life insurance policies, and that amount were determined without reference to policy loans or reinsurance arrangements.
- **Existing guaranteed life insurance policies** (EGLIPs) are non-participating Canadian life insurance policies, issued before January 1, 1990, if the amount and number of premiums and the amount of benefits were fixed and determined before that date.
- **Guaranteed rate of interest** (*i^{grd}*) for an RRP policy refers to the rate of interest used in determining the guaranteed benefits or 4%, whichever is greater. For an FRP policy, (*i^{grd}*) is deemed to be nil.
- **Full rate policies** (FRPs) are taxable life insurance policies other than RRP.
- **Reduced rate policies** (RRPs) are taxable life insurance policies with guaranteed benefits provided under the terms and conditions of the policies as they existed on March 2, 1988, and which have not been changed after March 2, 1988, unless to give effect to the terms and conditions that were determined before March 3, 1988.
- **Reinsurance** arrangements do not include assumption arrangements in which the assuming company takes over the position of the original insurer; they are to be treated as direct insurance of the assuming company for purposes of these calculations.
- **Taxable life insurance policies** are life insurance policies in Canada other than EGLIPs, annuity contracts, registered pension plans, registered life insurance policies, and retirement compensation arrangements.

Schedule 1

**Maximum reserves determined for Part XII.3 tax purposes
Reconciliation of reserves for investment income tax (IIT)**

Maximum reserve for the current year determined under Regulation 1401(1)(a), (c), or (d) of the <i>Income Tax Regulations</i> :	Individual	Group	
Canadian life insurance policies (ignore policy loans and accrued interest)	_____	_____	1
Add: Reinsurance ceded on all life policies	_____	_____	2
Subtotal (line 1 plus line 2)	_____	_____	3
Deduct: Reinsurance assumed on all life policies	_____	_____	4
Direct written – Canadian life insurance policies (line 3 minus line 4)	=====	=====	5
Deduct: Non-taxable policies (ignore reinsurance, policy loans, and accrued interest):			
Annuity contracts	_____	_____	6
Registered life insurance policies	_____	_____	7
Retirement compensation arrangements	_____	_____	8
Existing guaranteed life insurance policies	_____	_____	9
Total of above deductions (lines 6 to 9)	=====	=====	10
Policies subject to IIT (line 5 minus line 10)	_____	_____	11
Deduct: Maximum determined under Regulation 1401(1)(d)(ii) re: disabled life reserves that are included in line 11 (ignore reinsurance policy loans and accrued interest)	_____	_____	12
Taxable policies current year (line 11 minus line 12)	=====	=====	13
Taxable policies preceding year (see note)	=====	=====	14
Mean taxable policies (average of lines 13 and 14)	=====	=====	15
Mean maximum determined reserves subject to IIT (total of amounts on line 15)	=====	=====	16
		(to be allocated in column 3 of Schedule 2)	

Note
On line 14, enter the amount that was reported on line 13 of Schedule 1 for the preceding year.

Schedule 2

Canadian life investment income – Basic investment income
Calculation of amount A in subsection 211.1(3) (see note 1)

	1	2	3	4	5
	Previous year's maximum reserve (see note 3)	Current year's maximum reserve (see note 4)	Mean maximum reserve (col.1 + col. 2) ÷ 2	i^n minus i^{gtd} (if negative, enter "0")	Column 3 × column 4
I. Reduced rate policies:					
<i>igtd</i> 4.0%					
<i>igtd</i>					
<i>igtd</i>					
<i>igtd</i>					
<i>igtd</i>					
<i>igtd</i>					
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<i>igtd</i>					
<i>igtd</i>					
<i>igtd</i>					
				Total	
II. Full rate policies					1
III. Calculation of amount A					2
Amount A for RRP's line 1				× 65%	
Add: Amount A for FRP's line 2				× 55%	
Total amount A in subsection 211.1(3)					3
					(enter on line 1 of page 1)
					or
If the tax year of the corporation is less than 51 weeks, the amount on line 3 is prorated as follows:					
Line 3 × $\frac{\text{number of days in the tax year (see note 5)}}{365}$					(enter on line 1 of page 1)

- Notes**
- Total of column 3 for RRP's and FRP's must equal the amount on line 16 of Schedule 1.
 - If you need more space, attach a separate sheet and give similar details.
 - For previous-year values, follow the instructions given in the note on Schedule 1.
 - For current-year values, allocate the amount from line 13 on Schedule 1.
 - The number of days in the tax year does not include February 29.

Schedule 3

Canadian life investment income – Claims fluctuation reserve adjustment
Calculation of amount B in subsection 211.1(3)

Calculation of amount D:

CFRmax – current year	1
CFRmax – previous year	2
Mean CFRmax – current and previous year (average of lines 1 and 2)	3
V122487 interest rate (i^n)	4
Amount D (multiply line 3 by line 4)	5
	or
If the tax year of the corporation is less than 51 weeks, the amount on line 5 is prorated as follows:	
Amount D (amount from line 5) × $\frac{\text{number of days in the tax year (see note)}}{365}$	6
Calculation of amount E:	
Total of amount D – 1990 to current year	7
Deduct:	
Total of amount E – 1990 to year prior to current year	8
Current CFRmax minus 1989 CFRmax (if negative, enter "0")	9
Total deductions	10
Amount E (line 7 minus line 10 – if negative, enter "0")	11
Total amount B in subsection 211.1(3) (line 5 or line 6 minus line 11)	12
	(enter on line 2 of page 1)

Note
 The number of days in the tax year does not include February 29.

