



TAXABLE CAPITAL EMPLOYED IN CANADA – LARGE INSURANCE CORPORATIONS
(2010 and later tax years)

Name of corporation	Business Number	<table style="width:100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; width: 10%; text-align: center;">Year</td> <td style="border-bottom: 1px solid black; width: 10%; text-align: center;">Tax year-end</td> <td style="border-bottom: 1px solid black; width: 10%; text-align: center;">Month</td> <td style="border-bottom: 1px solid black; width: 10%; text-align: center;">Day</td> </tr> <tr> <td style="border-top: 1px solid black; height: 20px;"></td> <td style="border-top: 1px solid black; height: 20px;"></td> <td style="border-top: 1px solid black; height: 20px;"></td> <td style="border-top: 1px solid black; height: 20px;"></td> </tr> </table>	Year	Tax year-end	Month	Day				
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- Use this schedule in determining if the total taxable capital employed in Canada of the insurance corporation and its related corporations is greater than \$10,000,000.
- Parts, sections, subsections, paragraphs, subparagraphs, clauses, and subclauses referred to on this schedule are from the federal *Income Tax Act* and the *Income Tax Regulations*.
- Subsection 181(1) defines the terms "financial institution," "long-term debt," and "reserves."
- Subsection 181(3) provides the basis to determine the carrying value of a corporation's assets or any other amount under Part I.3 for its capital, investment allowance, taxable capital, or taxable capital employed in Canada, or for a partnership in which it has an interest.
- If you are filing a provincial capital tax return with your *T2 Corporation Income Tax Return*, also file a completed Schedule 35 with the return no later than six months from the end of the tax year.
- This schedule may contain changes that had not yet become law at the time of publishing.

Part 1 – Capital

To be completed by an insurance corporation that was resident in Canada at any time in the year and carried on a life insurance business at any time in the year

Add the following amounts at the end of the year:

Long-term debt	102	
Capital stock (or members' contributions if an insurance corporation incorporated without share capital)	103	
Retained earnings	104	
Contributed surplus	105	
Any other surpluses	106	
Subtotal		▶ _____ A

Deduct the following amounts:

Deferred tax debit balance at the end of the year	121	
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year ...	122	
Subtotal		▶ _____ B

Capital for the year (amount A minus amount B) (if negative, enter "0") **190**

To be completed by an insurance corporation that was resident in Canada at any time in the year and throughout the year did not carry on a life insurance business

Reserves that were not deducted in computing income under Part I for the year* **201**

Add the following amounts at the end of the year:

Long-term debt	202	
Capital stock (or members' contributions if an insurance corporation incorporated without share capital)	203	
Retained earnings	204	
Contributed surplus	205	
Any other surpluses	206	
Subtotal		▶ _____ C

Deduct the following amounts:

Deferred tax debit balance at the end of the year	221	
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year ...	222	
The total amount of its deferred acquisition expenses for its property and casualty insurance business in Canada, as long as it can reasonably be attributed to an amount included in the amount determined at line 201 above	223	
Subtotal		▶ _____ D

Capital for the year (amount C minus amount D) (if negative, enter "0") **290**

* The amount at line 201 should be net of any amount recoverable through reinsurance, according to subparagraph 181.3(3)(c)(vii).

Part 1 – Capital (continued)

To be completed by an insurance corporation that was a non-resident of Canada throughout the year and carried on an insurance business in Canada at any time in the year

- A) The amount, if any, by which the corporation's surplus funds derived from operations [as defined in subsection 138(12)] at the end of the year, computed as if no tax were payable under Part I.3 or Part VI for the year, exceed the total of all amounts, each of which is:
- i) an amount on which it was required to pay, or would but for subsection 219(5.2) have been required to pay, tax under Part XIV for a preceding tax year, except the portion, if any, of the amount on which tax was payable, or would have been payable, because of subparagraph 219(4)(a)(i.1); and
 - ii) an amount on which it was required to pay, or would but for subsection 219(5.2) have been required to pay, tax under subsection 219(5.1) for the year because of the transfer of an insurance business to which subsection 138(11.5) or (11.92) has applied.

Surplus funds from operations, as adjusted **301** _____

B) The corporation's attributed surplus for the year **302** _____

The greater of the amounts on lines 301 and 302 _____

Any other surpluses relating to insurance businesses carried on in Canada **303** _____

Long-term debt that may reasonably be regarded as relating to insurance businesses carried on in Canada **304** _____

Subtotal _____ ▶ _____ E

Add the amount by which:

Reserves for the year (other than reserves for amounts payable out of segregated funds) that may reasonably be regarded as having been established for insurance businesses carried on in Canada* **331** _____

Exceed the total of the following amounts:

Amounts included at line 331 above [other than a reserve described in subparagraph 138(3)(a)(i)] and **deducted** in computing income under Part I for the year **341** _____

Amounts included at line 331 above and **deductible** under subparagraph 138(3)(a)(i) in computing income under Part I for the year **342** _____

Amounts deducted in computing line 342 above that were outstanding (including any accrued interest) as at the end of the year for a policy loan [within the meaning of subsection 138(12)] made by the corporation **343** _____

Deferred acquisition expenses for its property and casualty insurance business in Canada, as long as it can reasonably be attributed to an amount included at line 331 above **344** _____

Total deductions (**add** lines 341, 342, 343, and 344) _____ ▶ _____ F

Difference (line 331 **minus** amount F) (if negative, enter "0") _____ ▶ _____ G

Capital for the year (amount E **plus** amount G) **390** _____

* The amount at line 331 should be net of any amount recoverable through reinsurance, according to clause 181.3(3)(d)(iv)(F).

Part 2 – Investment allowance

Add the carrying value at the end of the year of the following eligible investments of the insurance corporation that are non-segregated property within the meaning assigned by subsection 138(12):

All shares of the capital stock of related financial institutions **401** _____

All long-term debts of related financial institutions **404** _____

Investment allowance for the year **490** _____

Notes

- 1) A share of the capital stock or long-term debt of another financial institution (including another insurance corporation) that is exempt from Part I.3 tax is to be excluded from the value of any eligible investment determined above.
- 2) The eligible investments of the insurance corporation should include only those of related financial institutions that are resident in Canada or are using the proceeds of the share or debt in a business carried on by the related financial institution through a permanent establishment in Canada.
- 3) In the case of an insurance corporation that was a non-resident of Canada throughout the year, its eligible investments should include only those used or held by the corporation in the year in the course of carrying on an insurance business in Canada.

Part 3 – Taxable capital

Capital for the year (line 190, 290, or 390, whichever applies) H
Deduct: Investment allowance for the year (line 490) I
Taxable capital for the year (amount H minus amount I) (if negative, enter "0") **500**

Part 4 – Taxable capital employed in Canada

The total of all amounts each of which is the carrying value at the end of the year of an asset (other than property held by the institution primarily for the purpose of resale that was acquired by the financial institution in the year or the preceding tax year as a consequence of another person's default, or anticipated default, for a debt owed to the institution) that is tangible, or for civil law corporeal, property used in Canada and that is non-segregated property within the meaning assigned by subsection 138(12) **511**

Add:
 Where the insurance corporation has an interest in a partnership at the end of the year, its proportion of the total of all amounts, each of which is the carrying value of an asset of the partnership that is tangible, or for civil law corporeal, property used in Canada. This proportion is based on the financial institution's share of the partnership's income or loss for that period. **512**

Subtotal J

To be completed by an insurance corporation that was resident in Canada at any time in the year and carried on a life insurance business at any time in the year

Taxable capital for the year (line 500)
Add: Total of amounts described in subclause 181.3(1)(c)(ii)(A)(II) (amount V, page 4) **521**
 Subtotal
Deduct: Total of amounts described in subclause 181.3(1)(c)(ii)(A)(III) (amount W, page 4) ... **525**
 Total **▶** K

Canadian reserve liabilities at year-end **522** L
 Total reserve liabilities at year-end **523** M
 Total of amounts described in subclause 181.3(1)(c)(ii)(A)(V) (amount X, page 4) **524** N
 Proportion of capital over reserve liabilities = (K × L) ÷ (M + N) **530** O
Taxable capital employed in Canada (amount J plus amount O) **590**

To be completed by an insurance corporation that was resident in Canada at any time in the year and throughout the year did not carry on a life insurance business

Taxable capital for the year (line 500) × $\frac{\text{Canadian premiums for the year}}{\text{Total premiums for the year}}$ **611** = **650** P
 **612**
Taxable capital employed in Canada (amount J plus amount P) **690**

To be completed by an insurance corporation that was a non-resident of Canada throughout the year and carried on an insurance business in Canada at any time in the year

Taxable capital employed in Canada (amount J plus amount from line 500) **790**

Part 5 – Calculation for purposes of the small business deduction

This part is applicable to corporations that are not associated in the current year, but were associated in the prior year.
 Taxable capital employed in Canada (line 590, 690, or 790, whichever applies) Q
Deduct: \$10,000,000 R
 Excess (amount Q minus amount R) (if negative, enter "0") S
Calculation for purposes of the small business deduction (amount S × 0.00225) T

Enter this amount at line 415 of the T2 return.

Complete the following tables to determine the amounts to use on page 3 to calculate the taxable capital employed in Canada of a Canadian resident corporation that carried on a life insurance business.

Table 1

(1) Name of foreign insurance subsidiary	(2) Capital of foreign insurance subsidiary per Regulation 8605(1)(a) (from column 9 in table 2)	(3) Capital stock and long-term debt invested in the subsidiary per Regulation 8605(1)(b)		(4) Any additional surplus contributed into the subsidiary per Regulation 8605(1)(c)	(5) Amounts to be included in subclause 181.3(1)(c)(ii)(A)(II) Columns (2) - [(3)+(4)]	(6) Amounts to be included in subclause 181.3(1)(c)(ii)(A)(III) Columns [(3)+(4)] - (2)	(7) Reserve liabilities per Regulation 8605(3) to be included in subclause 181.3(1)(c)(ii)(A)(V)
		Capital stock	Long-term debt				
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							

Totals	V	W	X
	(enter on page 3)	(enter on page 3)	(enter on page 3)

Table 2

(1) Name of foreign insurance subsidiary	(2) Long-term debt	(3) Capital stock or members' contributions	(4) Retained earnings	(5) Surpluses	(6) Subtotal (2)+(3)+(4)+(5)	(7) Deferred tax debit balance	(8) Deficit deducted in computing shareholder's equity	(9) Capital (6) - [(7)+(8)] enter in column 2 of table 1 above
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								

Notes

- 1) Do not use the equity or consolidation method of accounting.
- 2) Include, in column 3 of table 1, the carrying value to its owner of the share of capital stock or long-term debt.
- 3) The amount in column 5 and the amount in column 6 of table 1, for each subsidiary, cannot be less than zero.
- 4) The amounts in column 7 of table 1 are those that would be reported by the foreign insurance subsidiary for that year if it had to report to the Office of the Superintendent of Financial Institutions (OSFI). All other amounts are those that would be reported by the foreign insurance subsidiary, if it were to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).