Part XII.3 Tax Return Tax on Investment Income of Life Insurers (2013 and later tax years)

(2013 and later tax years)

- If you are a life insurer, use this return to calculate the Part XII.3 tax on taxable Canadian life investment income for the year.
 Complete two copies of this return and file them, separately from any other return, to the tax centre serving your
- head office, on or before the due date of your T2 Corporation Income Tax Return.
- The terms used in this return are explained on page 2.
- If you do not file this return by the due date, we will charge you a penalty. This penalty 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.
- Calculate all amounts for schedules 1 to 4 for each policy separately, and then total the amounts before
 entering the figures.

D	Do not use this area				

critering the figures.										
Name of life insurer									Business number	
Address									Postal code	
Tax year for the period	Year Mo	onth Day		Year	N	lonth	Day	Tax services office		
from			to							
Name of person to contact	for more information			-				Area code	Telephone number	
Part XII.3 sur	nmary									
0				- 0 - 5 - (1)						
Complete this summ	ary using the amou	nts calculated	on schedules	s 2 to 5 of tr	ns returi	n:				
Basic investment i	ncome – Amount A	from Schedu	le 2							1
Add: Claims fluctu	ation reserve adjust	tment – Amou	unt B from Sch	nedule 3 .						
								Subtotal (line	1 plus line 2)	3
Deduct: Adjustme	nt for amounts repo	rted to policyl	holders – Amo	ount C from	Schedu	le 4 .				4
Canadian life inves	stment income (loss) for the year	(line 3 minus	line 4) (see	note)					5
Deduct: Canadian	life investment loss	carryforward	l applied durin	ng the year -	- from S	chedu	ıle 5			6
Taxable Canadian	life investment inco	me (line 5 m i	i nus line 6) .						<u></u>	7
Part XII.3 tax pays	able for the year -	15% of taxab	le Canadian li	ife investme	nt incon	ne (lin	e 7)			
Deduct: Instalmen	nts paid									

Note

Tick the box that applies:

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.

Unpaid balance

According to section 211.3 of the Act, instalments of Part XII.3 tax are payable monthly during the tax year. Any remainder is payable on or before your 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 account to be credited.

— Certification	on ————————————————————————————————————	
l,	(please print)	, certify that the information given in this return
and in any attach	hed documents, is to the best of my known	owledge, true, correct, and complete.
	Signature o	f authorized officer

If the result is negative, you have an overpayment. If the result is positive, you have a unpaid balance.

Overpayment

Generally, we do not charge or refund a difference of \$2 or less.



Enclosed payment



Balance

Terms

The terms used in this return provide general guidance for the calculations required under the federal *Income Tax Act*. For precise requirements, 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). If you have a December 31 year-end, and do not have a short tax year, (in) has the following values: 4.68% for 2008; 4.43% for 2009; 4.19% for 2010; 4.04% for 2011; 3.83% for 2012; 3.43% for 2013; and 3.16% for 2014. To get V122487 interest rates (in) for years not shown on this form, contact your tax services office.
- **CFRmax** represents the maximum amount that would be determined under Regulation 1401(1)(c.1) of the *Income Tax Regulations* 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 life insurance policies in Canada, 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 (igta) for an reduced rate policy (RRP) refers to the rate of interest used in determining the guaranteed benefits or 4%, whichever is greater. For a full rate policy (FRP), (igta) is deemed to be nil.
- Full rate policies (FRPs) are taxable life insurance policies other than reduced rate policies.
- 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 that 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 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.

Reconciliation of reserves for investment income tax (IIT)		
Maximum reasons for the automatical declaration of various 4404(4)(a) (b) and (d).	Individual	Group
Maximum reserve for the current year determined under Regulation 1401(1)(a), (c), or (d):		
Life insurance policies in Canada (ignore policy loans and accrued interest)		
Subtotal (line 1 plus line 2) _		
Deduct: Reinsurance assumed on all life insurance policies _ Direct written – Life insurance policies in Canada (line 3 minus line 4) _		
Deduct : Non-taxable policies (ignore reinsurance, policy loans, and accrued interest):		
Existing guaranteed life insurance policies (EGLIPs)		
Annuity contracts (including settlement annuities)		
Registered life insurance policies		
Registered pension plans		
Retirement compensation arrangements		
Total of above deductions (lines 6 to 10)		
Policies subject to IIT (line 5 minus line 11)		
Deduct: Maximum determined under Regulation 1401(1)(d)(ii) re: disabled life reserves		
that are included at line 12 (ignore reinsurance, policy loans, and accrued interest)		
Taxable policies – current year (line 12 minus line 13)		
Taxable policies – previous year (see note)		
Mean taxable policies (average of lines 14 and 15)		
Mean maximum determined reserves subject to IIT (total of amounts on line 16)		
•		(to be allocated in column 4 of Schedule 2)

If the previous year was before 2013, enter the amount from line 13 of the previous year. Otherwise, enter the amount from line 14 of the previous year.

	- Schedule 2					Troctor 2 mion compr	
				ne – Basic investment A in subsection 211.1(
I.	1	2	3	4	5	6	
	Reduced rate policies (i ^{gtd})	Previous year's maximum reserve (see note 1)	Current year's maximum reserve (see note 2)	Mean maximum reserve (col. 2 + col. 3) ÷ 2 (see note 3)	i ⁿ minus i ^{gtd} (if negative, enter "0")	Column 4 × column 5	
	4.0%						
							-
]
							-
]
	If you need more space, atta				Total		_ 1
	Full rate policies Calculation of Amount A						_ 2
	Amount A for RRPs				× 65%		_
					× 55%		- 3
	Total Amount A m Subs	o ((enter on line 1 of the	: 3
	If the tax year of the corp	ooration is less than 51 w	eeks, the amount on line	3 is prorated as follows:		Part XII.3 summary)	
	Amount A (amount from	line 3) × number of day	s in the tax year (see not	<u>e 4)</u>			=
No	tes		303			(enter on line 1 of the Part XII.3 summary)	
	For previous-year values	s see note on Schedule 1					
	For current-year values,						
3.	The total of column 4 for			7 of Schedule 1.			
4.			•				

—— 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 CFRmax – previous year Mean CFRmax – current and previous year (average of lines 1 and 2)		1 2 3
V122487 interest rate (i ⁿ)		5
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) × 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: 8 Total of Amount E − 1990 to year before current year	0	
Amount E (line 7 minus line 10 – if negative, enter "0") Total amount B in subsection 211.1(3) (line 5 or line 6 minus line 11) Note The number of days in the tax year does not include February 29.		11 12

Schedule 4

Canadian life investment income - Adjustment for amounts reported to policyholders Calculation of Amount C in subsection 211.1(3)

- I. Full rate policies
- II. Reduced rate policies
- III. Former EGLIPs not included above that are now taxable:

Number of tax years or part years policy has been taxable	Accrued income section 12.2 (see note)	Policy proceeds paragraph 56(1)(j) (see note)	Total (col. 2 + col. 3)	Relevant percentage	Amount C (col. 4 × col. 5)
N/A				100%	
N/A				50%	
1				0%	nil
2				0%	nil
3				0%	nil
4				5%	
5				10%	
6				15%	
7				20%	
8				25%	
9				30%	
10				35%	
11				40%	
12				45%	
13 or more				50%	

IV. Total Amount C in subsection 211.1(3)

(enter on line 4 of the Part XII.3 summary)

Note

The amounts reported in columns 2 and 3 should be the amounts that would be included in the income of a policyholder for the calendar year ending in the tax year.

Schedule 5 —

Canadian life investment loss carry-forward under subsection 211.1(2)

- Do not include unused losses that have expired. The carry-forward period for unused losses is:
 - 20 years for losses in a tax year ending after December 31, 2005; and
 - 10 years for losses in a tax year ending after March 22, 2004, and before January 1, 2006.
- Adjustments may be required if there has been an amalgamation under subsection 87(2.2) or a wind-up under subparagraph 88(1)(g)(i).

Tax year-end Y Y Y Y M M D D	Canadian life investment loss carryforward start of the year	Add: loss from current year	Deduct: loss carryforward used in the year	Loss carryforward available for later years
Total				
			(enter on line 6 of the Part XII.3	

summary)