

Part XII.3 Tax Return Tax on Investment Income of Life Insurers (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.

Do not use this area

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

Part XII.3 summary

Complete this summary using the amounts calculated on schedules 2 to 5 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 **unpaid balance**. **Balance** _____
Generally, we do not charge or refund a difference of \$2 or less.

Tick the box that applies: Overpayment Unpaid balance

_____ 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 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

I, _____, certify that the information given in this return
(please print)
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 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** (*i^{grd}*) 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), (*i^{grd}*) 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.

Schedule 1

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

	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)	_____	_____	1
Add: Reinsurance ceded on all life insurance policies	_____	_____	2
Subtotal (line 1 plus line 2)	_____	_____	3
Deduct: Reinsurance assumed on all life insurance policies	_____	_____	4
Direct written – Life insurance policies in Canada (line 3 minus line 4)	=====	=====	5
Deduct: Non-taxable policies (ignore reinsurance, policy loans, and accrued interest):			
Existing guaranteed life insurance policies (EGLIPs)	_____	_____	6
Annuity contracts (including settlement annuities)	_____	_____	7
Registered life insurance policies	_____	_____	8
Registered pension plans	_____	_____	9
Retirement compensation arrangements	_____	_____	10
Total of above deductions (lines 6 to 10)	=====	=====	11
Policies subject to IIT (line 5 minus line 11)	_____	_____	12
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)	_____	_____	13
Taxable policies – current year (line 12 minus line 13)	=====	=====	14
Taxable policies – previous year (see note)	=====	=====	15
Mean taxable policies (average of lines 14 and 15)	=====	=====	16
Mean maximum determined reserves subject to IIT (total of amounts on line 16)	=====	=====	17
			(to be allocated in column 4 of Schedule 2)

Note
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.

