Canada Revenue Agency | Agence du revenu du Canada

**SCHEDULE 38**
Code 1001

# PART VI TAX ON CAPITAL OF FINANCIAL INSTITUTIONS (2010 and later tax years)

| Name of corporation | Business Number | Tax year-end Year Month Day |
|---|---|---|
| | | |

- This schedule is for use by a corporation that is a financial institution at any time during the year and is liable to pay capital tax under Part VI or would be liable if not for the deduction under subsection 190.1(3) of the *Income Tax Act*.
- "Financial institution," "long-term debt," and "reserves" have the meanings assigned by subsection 190(1).
- Parts, subsections, subparagraphs, and clauses referred to on this schedule are from the federal *Income Tax Act.*
- This schedule may contain changes that had not yet become law at the time of publishing.

## Part 1 – Capital

**To be completed by a financial institution other than an authorized foreign bank or a non-resident life insurance corporation**

**Add** the following amounts as at the end of the year:

| | | | |
|---|---|---|---|
| Reserves, except to the extent that they were deducted in computing income under Part I for the year (see note below) | 101 | | |
| Long-term debt | 102 | | |
| Capital stock (for a corporation incorporated without share capital, its members' contributions) | 103 | | |
| Retained earnings | 104 | | |
| Contributed surplus | 105 | | |
| Any other surpluses | 106 | | |
| Subtotal | | | A |

**Deduct:**

| | | | |
|---|---|---|---|
| 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 redeeming preferred shares) at the end of the year | 122 | | |
| Deductions | | | B |

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

**Note:** When calculating a life insurance corporation's capital for the year, do not add reserves.

**To be completed by an authorized foreign bank**

**Add** the following amounts at the end of the year for the Canadian banking business:

| | | |
|---|---|---|
| 10% of the bank's risk-weighted assets and exposures according to OSFI* risk-weighting guidelines, computed as if those guidelines applied | 201 | |
| All amounts that are not for a loss-protection facility respecting asset securitization and that the bank would deduct from its capital under OSFI* risk-based capital adequacy guidelines if it was listed in Schedule II to the *Bank Act* | 202 | |

**Capital for the year** (line 201 **plus** line 202) 290

* Office of the Superintendent of Financial Institutions

## Part 1 – Capital (continued)

**To be completed by a life insurance corporation that was a non-resident of Canada throughout the year**

The total of the following amounts computed at the end of the year:

The amount that is the greater of:

a) The amount, if any, by which its surplus funds derived from operations (as defined in subsection 138(12)) as of 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 previous tax year, except the part, 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; and . . . . . **301** ______

b) The attributed surplus for the year . . . . . **302** ______ ______ C

Any other surpluses relating to insurance businesses carried on in Canada . . . . . **303** ______ D

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

**Capital for the year** (total of amounts C, D, and E) . . . . . **306** ______ F

## Part 2 – Investments in related financial institutions

**To be completed by a financial institution that was resident in Canada at any time in the year, by a life insurance corporation that was a non-resident of Canada throughout the year (see note 2 below), or by an authorized foreign bank (see note 3 below)**

**Add** the carrying value at the end of the year of the following eligible investments of the financial institution. For an insurance corporation, include only eligible investments that are non-segregated property.

Any share of the capital stock of the related financial institutions . . . . . **401** ______

Any long-term debt of the related financial institutions . . . . . **404** ______

Subtotal (**add** lines 401 and 404) ______ ► ______ J

**Plus:** The amount of any surplus of the related financial institutions contributed by the corporation and not reflected in the carrying value of shares and long-term debts above . . . . . **411** ______ K

**Total investments in related financial institutions** (amount J **plus** amount K) . . . . . **490** ______

**Notes**

1) The eligible investments of the corporation should include only those of related financial institutions that are resident in Canada or are using the surplus or proceeds of the share or debt in a business carried on by the related financial institution through a permanent establishment in Canada.

2) In the case of a life 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 (or amount of surplus contributed in the year) in the course of carrying on an insurance business in Canada.

3) In the case of an authorized foreign bank, its eligible investments should be the amount before the application of risk weights that would be reported under OSFI risk-weighting guidelines and should include only those used or held in the year (or amount of surplus contributed) by the corporation in the course of carrying on its Canadian banking business.

## Part 3 – Taxable capital

Capital for the year (line 190, 290 or 306 from page 1 or 2, whichever applies) . . . . . ______

**Deduct:** Total investments in related financial institutions (amount from line 490 above) . . . . . ______

**Taxable capital for the year** (if negative, enter "0") . . . . . **501** ______

## Part 4 – Taxable capital employed in Canada

**To be completed by a life insurance corporation that was resident in Canada at any time in the year**

Taxable capital for the year (amount from line 501 on page 2) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ________

**Add:** Total of amounts described in clause 190.11(b)(i)(B) (amount AA on page 5) . . . . . . . . . **551** ________

Subtotal ________

**Deduct:** Total of amounts described in clause 190.11(b)(i)(C) (amount BB on page 5) . . . . . . **555** ________

Total ________ ▶ ________ L

Canadian reserve liabilities at year-end . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **552** ________ M

Total reserve liabilities at year-end . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **553** ________ N

Total of amounts described in clause 190.11(b)(i)(E) (amount from line CC on page 5) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **554** ________ O

**Taxable capital employed in Canada** = (L × M) ÷ (N + O) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **591** ________

**To be completed by a financial institution other than a life insurance corporation**

Taxable capital for the year (line 501 on page 2) ________ × $\frac{\text{Canadian assets at the end of the year (650)}}{\text{Total assets at the end of the year (655)}}$ ________ = **Taxable capital employed in Canada** **691** ________

**To be completed by a life insurance corporation that was a non-resident of Canada throughout the year**

**Taxable capital employed in Canada** (amount from line 501 on page 2) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **791** ________

## Part 5 – Gross Part VI tax

Taxable capital employed in Canada (line 591, 691, or 791, whichever applies) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . ________

**Deduct:** Capital deduction claimed by this institution (see note below) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **805** ________

Excess amount (if negative, enter "0") . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **815** ________

Amount from line 815 . . . . . . . . ________ × 0.0125 = . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **825** ________ P

If the tax year of the corporation is less than 51 weeks, calculate the gross Part VI tax as follows:

Amount P . . . . . . ________ × $\frac{\text{Number of days in the tax year (\quad)}}{365}$ = . . . . . . . . . . . . . . . . . . . . . . . . ________ Q

**Gross Part VI tax** (amount P or amount Q, whichever applies) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . **831** ________ R

**Note:** For a financial institution that is not related to another financial institution at the end of the year, the "Capital deduction claimed by this institution" is $1,000,000,000. For financial institutions that are related at the end of the year, an agreement can be filed on behalf of the related group to allocate the capital deduction among the members of the group. If such an agreement is made, Schedule 39 must be completed and filed with this schedule and the "Capital deduction claimed by this institution" is the amount allocated to it in column 450 of Schedule 39. Where a financial institution has more than one tax year ending in the same calendar year and, in two or more of those tax years, is related at the end of the year to another financial institution that has a tax year ending in the same calendar year, the capital deduction of the financial institution for each tax year is the capital deduction for its first tax year.

## Part 6 – Unused Part I tax credit carried forward from previous years that can be applied this year

| | | | |
|---|---|---|---|
| Gross Part VI tax (line 831 from page 3) | | | |
| **Deduct:** Current-year Part I tax credit* (amount from line 700 of the T2 return) | 840 | | |
| Excess | | | S |
| Balance of unused Part I tax credit carried forward from previous years (amount A from Schedule 42) | | | T |
| **Unused Part I tax credit that can be carried forward and applied this year** (amount S or T, whichever is less) | | | U |

## Part 7 – Net Part VI tax payable

| | | | | |
|---|---|---|---|---|
| Gross Part VI tax (line 831 from page 3) | | | | V |
| **Deduct:** | | | | |
| Part I tax credit applied from: | | | | |
| the current year (line 831 or line 840, whichever is less) | 883 | | | |
| previous years (cannot be more than amount U above) | 884 | | | |
| Surtax credit applied from previous years (cannot be more than amount A on Schedule 37) | 885 | | | |
| Subtotal (**add** lines 883, 884, and 885) | | | ► | W |
| Net Part VI tax payable (amount V **minus** amount W) | | 890 | | |

Enter this amount at line 720 of the T2 return.

## Part 8 – Current-year unused Part I tax credit

| | | | |
|---|---|---|---|
| Part I tax payable* (amount from line 700 of the T2 return) | | | |
| **Deduct:** | | | |
| Gross Part VI tax (line 831 from page 3) | | | |
| **Current-year unused Part I tax credit** (if negative, enter "0") | 870 | | |

Enter this amount at line 600 on Schedule 42.

* Corporations can claim a credit against their Part VI tax for an amount equal to their Part I tax payable for the year. This is called a Part I tax credit. Unused Part I tax credit can be carried back three years or carried forward seven years. Any unused Part I tax credit must be applied in order, with the oldest applied first. If control of the corporation has been acquired between the year in which the credit arose and the year in which you want to claim it, see subsection 190.1(6) when calculating the amount deductible under Part VI for a corporation's unused Part I tax credit.

Complete the following tables to determine the amounts to use in Part 4, on page 3, in calculating the taxable capital employed in Canada of a Canadian resident corporation that carried on a life insurance business.

**Table 1**

| | 1 | 2 | 3 | | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|---|
| | Name of foreign insurance subsidiary | Capital of foreign insurance subsidiary per Regulation 8605(1)(a) (from column 9 in Table 2) | Capital stock and long-term debt invested in the subsidiary per Regulation 8605(1)(b) | | Any additional surplus contributed into the subsidiary per Regulation 8605(1)(c) | Amounts to be included in clause 190.11(b)(i)(B) Columns (2) - [(3)+(4)] | Amounts to be included in clause 190.11(b)(i)(C) Columns [(3)+(4)] - (2) | Reserve liabilities per Regulation 8605(3) to be included in clause 190.11 (b)(i)(E) |
| | | | Capital stock | Long-term debt | | | | |
| 1. | | | | | | | | |
| 2. | | | | | | | | |
| 3. | | | | | | | | |
| 4. | | | | | | | | |
| 5. | | | | | | | | |
| 6. | | | | | | | | |
| 7. | | | | | | | | |
| 8. | | | | | | | | |
| | | | | | **Totals** | AA | BB | CC |
| | | | | | | (enter on page 3) | (enter on page 3) | (enter on page 3) |

**Table 2**

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