

Calculation of Parts IV.1 and VI.1 Taxes (2010 and later tax years)

Corporation's name	Business number	Tax year-end Year	Tax year-end Month	Tax year-end Day
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- Use this schedule to calculate a corporation's Part IV.1 tax for dividends received on taxable preferred shares and taxable restricted financial institution (RFI) shares, and its Part VI.1 tax for dividends paid on short-term preferred shares and taxable preferred shares.
- Use this schedule to elect under subsection 191.2(1) to pay Part VI.1 tax at a rate of 40% on taxable preferred shares. This rate would apply to all future dividends paid on that class or series of shares.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- **Restricted Financial Institution, taxable RFI share, taxable preferred share, and short-term preferred share** are terms defined in subsection 248(1).
- If Part IV.1 or VI.1 taxes are payable, file one completed copy of this schedule with your *T2 Corporation Income Tax Return* no later than six months after the end of the tax year. If you are making an election under subsection 191.2(1), see subsection 191.2(1) of the Act for information on the period in which to make the election.
- For corporations without taxable income that have Part IV.1 or VI.1 taxes payable, and that have a permanent establishment in more than one jurisdiction, complete only columns A, B and D in Part 1 of Schedule 5, *Tax Calculation Supplementary – Corporations*.
- For Part IV.1 tax, an excepted dividend is a dividend as described in section 187.1 and subsections 191(4) and 191(5).
- For Part VI.1 tax, an excluded dividend is a dividend as described in subsections 191(1), 191(4), 191(5), and the proposed subsection 191(6).
- For more information, see the *T2 Corporation Income Tax Guide*.

Part 1 – Dividend allowance

Basic dividend allowance	\$ 500,000	A
Minus:		
Taxable dividends (other than excluded dividends) paid in the calendar year immediately preceding the calendar year in which the tax year ended. These dividends are on taxable preferred shares or shares that would be taxable preferred shares if they were issued after June 18, 1987, and were not grandfathered shares (see point 1 in Part 2 below if the corporation is associated)		
.....	B	
	\$1,000,000	C
Excess (amount B minus amount C) (if negative, enter "0") 110	▶	D
Dividend allowance (amount A minus amount D) (if negative, enter "0") 115		E

Part 2 – Agreement among associated corporations to allocate the dividend allowance

Date filed (do not use this area) **116**

Year	Month	Day
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Is this an amended agreement? **117** 1 Yes 2 No

Calendar year to which the agreement applies **118**

Year

1. Enter the total of non-excluded dividends paid by all associated corporations at line B above.
2. Allocate the dividend allowance (amount E above) among associated corporations in column 140, as indicated below.
3. Apply the special rules provided under paragraph 191.1(6)(b) if a corporation has two or more tax years ending in the same calendar year during which it is associated with another taxable Canadian corporation that has a tax year ending in that calendar year.
4. If an associated corporation has more than one tax year ending in a calendar year, it has to file an agreement for each of these tax years.
5. Attach additional schedules if more space is needed.

Allocation of dividend allowance

	Name of each associated corporation 120	Business number (If a corporation is not registered, enter "NR.") 130	Dividend allowance allocated 140
1.			
2.			
3.			
4.			
5.			

Total (cannot be more than amount E)

Part 3 – Part VI.1 tax payable

Complete the calculation of the dividend allowance in Part 1.

Dividend allowance: amount at line 115 (from Part 1) or, if associated, the amount allocated at line 140 (from Part 2) **210** _____ F

Note: If the tax year is less than 51 weeks, prorate the dividend allowance based on the number of days in the tax year divided by 365. Enter this amount at line 210 instead of the amount from line 115 or 140.

1) Taxable dividends (other than excluded dividends) paid by the corporation in the year on short-term preferred shares **220** _____ G

Deduct:

Amount F or G, whichever is less _____ H
 Tax rate, whichever applies*: _____ % x _____ I = _____ J

* The tax rate is 50% for dividends paid in a tax year that ends before 2010, 45% for dividends paid in a tax year that ends after 2009 and before 2012, and 40% for dividends paid in a tax year that ends after 2011.

2) Taxable dividends (other than excluded dividends) paid by the corporation in the year on taxable preferred shares (other than short-term preferred shares) of all classes for which the corporation is making an election under subsection 191.2(1) **230** _____ K

Deduct:

Dividend allowance (amount F) _____ L
 Amount H _____ M
 Net amount (amount L minus amount M) _____ N
 Amount K or N, whichever is less _____ O
 40% x _____ P = _____ Q

3) Taxable dividends (other than excluded dividends) paid by the corporation in the year on taxable preferred shares (other than short-term preferred shares) of all classes for which the corporation is **not** making an election under subsection 191.2(1) **240** _____ R

Deduct:

Dividend allowance (amount F) _____ S
 Amount H _____ T
 Amount O _____ U
 Subtotal (amount T plus amount U) _____ V
 Net amount (amount S minus amount V) _____ W
 Amount R or W, whichever is less _____ X
 25% x _____ Y = _____ Z

4) Complete this calculation if the corporation has made an agreement under section 191.3 to pay all or part of a related corporation's Part VI.1 tax otherwise payable for the year (complete and file Schedule 45).

Part VI.1 tax transferred from a related corporation **250** _____ AA
 Subtotal (add amounts J, Q, Z, and AA) _____ BB

Less: Part VI.1 tax transferred to a related corporation **260** _____ CC

Part VI.1 tax payable (amount BB minus amount CC) **270** _____ DD

Enter amount DD on line 724 of the T2 return.

Note: Part VI.1 tax payable has the same instalment requirements and balance due date as Part I tax payable.

Part 4 – Part IV.1 tax payable

This tax does not apply to dividends received by financial intermediary corporations or corporations that were private corporations at the time the dividends were received. Part IV.1 tax applies only if the dividend in question was deductible under section 112 or 113, or under subsection 138(6) or 115(1). Part IV.1 tax payable is due on or before the balance due date of the corporation or the restricted financial institution for a tax year.

Taxable dividends (other than excepted dividends) received in the year on taxable preferred shares [other than a share of a class for which the corporation has made an election under subsection 191.2(1)] **310** _____ EE

Taxable dividends (other than excepted dividends) received in the year by a restricted financial institution on taxable RFI shares (see section 187.3) **320** _____ FF

Total dividends subject to Part IV.1 tax (amount EE plus amount FF) **330** _____ GG

Part IV.1 tax payable Amount GG _____ x 10% = **340** _____ HH

Enter amount HH on line 716 of the T2 return.

Portion of dividends included in amount GG that is also subject to Part IV tax **350** _____ x rate* = **360** _____ II

Enter amount II on line 320 of Schedule 3, *Dividends Received, Taxable Dividends Paid, and Part IV Calculation*.

* 10% and/or 30%, whichever applies [see subsection 186(1.1)].