

T3 Federal Foreign Tax Credits

General information

This credit is for foreign income or profits taxes the trust paid on income it received from outside Canada and reported on the trust's Canadian return. Tax treaties with other countries may affect whether the trust is eligible for this credit.

Note

You may have deducted an amount on line 54 of the trust's return for income that is not taxable in Canada under a tax treaty. In that case, do not include that income in the trust's "Net foreign non-business income" (line 22092) or in the trust's "Net foreign business income" (line 22094). Also, do not include any foreign tax withheld from it in the trust's "Non-business income tax paid to a foreign country" (line 22091) or in the trust's "Business income tax paid to a foreign country" (line 22093).

If the trust paid tax to more than one foreign country, and the total non-business income tax it paid to all foreign countries is more than \$200, you have to do a separate calculation for each country for which it claims a foreign tax credit. In that case, enter the total of the trust's allowable federal foreign tax credit on Form T3 FFT.

You have to do a separate calculation for business income taxes paid to each foreign country. In that case, use this form to calculate the trust's credit for both non-business income taxes and the business income taxes paid to each foreign country. For tax years ending before March 23, 2004, the trust can carry unclaimed foreign business income taxes back three years and forward seven years. For tax years ending after March 22, 2004, the carry-forward period is 10 years.

In most cases, the foreign tax credit the trust can claim for each foreign country is whichever of the following two amounts is **lower**:

- the foreign income tax the trust actually paid; or
- the tax otherwise due in Canada on the trust's net income from that country.

Note

If the trust paid tax on income from foreign property (other than real property), the trust's foreign tax credit for the income from that property cannot be more than 15% of the trust's net income from that property. However, the trust may be able to deduct on line 40 of the trust's return the part of the foreign taxes it paid over 15%.

How to claim:

- Do all of your calculations in **Canadian** dollars.
- If the trust was a member of a partnership and is entitled to claim a part of the foreign taxes the partnership paid, include in your calculations the amount shown in the financial statements or in box 171 and box 172 of your T5013 slip.
- Claim the amount from line 12 of this form on line 34 of the trust's Schedule 11. The amount on line 12 should not be more than the amount on line 31 of the trust's Schedule 11.

If the trust's federal foreign tax credit on non-business income is less than the tax the trust paid to a foreign country and the trust **was not a resident of Quebec on December 31, 2014**, it may be able to claim a provincial or territorial foreign tax credit. Get Form T3 PFT, *T3 Provincial or Territorial Foreign Tax Credit* to help you calculate the credit. Attach a completed copy of the form to the trust's paper return.

If the trust **was a resident of Quebec on December 31, 2014**, see the guide for the trust's provincial income tax return for Quebec.

Also, on line 40 of the trust's return, the trust may be able to deduct the amount of net foreign taxes it paid for which it has not received a federal, provincial, or territorial foreign tax credit. This does not include certain taxes the trust paid, such as those on amounts it could have deducted under a tax treaty on line 54 of the trust's return. For details, get Interpretation Bulletin IT-506, *Foreign Income Taxes as a Deduction from Income*.

Supporting documents – Include your documents, such as letters or statements from the payer, foreign tax return, T5013, T3, T5 or other information slips in the name of the trust listing the foreign income paid and related tax withheld.



T3 Federal Foreign Tax Credits

Use this form to calculate the amount you can deduct from federal tax for 2014 or a later year. If the trust that was resident in Canada at any time in the tax year and paid non-business or business taxes to a foreign country on income received from outside Canada and the trust reported that income on its Canadian return, it can claim this credit. If the total of the foreign taxes the trust paid to **all foreign countries is more than \$200**, do a calculation on a separate sheet for each foreign country to which the trust paid taxes, and add the totals to Form T3 FFT. Only submit one Form T3 FFT. For more information, see Income Tax Folio S5-F2-C1, *Foreign Tax Credit*.

Country or countries for which the trust is making this claim: _____

Federal non-business foreign tax credit	
Non-business income tax paid to a foreign country (a)	22091 • _____ 1
Net foreign non-business income (b) 22092 • _____	\times Basic federal tax (d) _____ = _____ 2
Divided by: net income (c)	
Enter the amount from line 1 or line 2, whichever is less.	Federal non-business foreign tax credit _____ 3
The amount on line 3 should not be more than the amount on line 31 of the trust's Schedule 11.	

Federal business foreign tax credit	
Business income tax paid to a foreign country (e) for the year, plus any unused foreign tax credits for that country for the ten (f) years before, and the three years after this year	22093 • _____ 4
Net foreign business income (g) 22094 • _____	\times Basic federal tax (h) _____ = _____ 5
Divided by: net income (c)	
Federal surtax on income the trust earned outside Canada: amount from line 9 of Part 2 of Form T3MJ, <i>T3 Provincial and Territorial Taxes for 2014 – Multiple Jurisdictions</i> , or the amount from line 32 of Schedule 11. Enter the amount that applies to the country or countries that you have identified at the top of this page.	+ _____ 6
Add lines 5 and 6.	= _____ 7
Add basic federal tax (h) and the amount from line 6.	8
Enter the amount from line 3, if any.	- _____ 9
Line 8 minus line 9	= _____ 10
Enter the amount from line 4, 7, or 10, whichever is less.	Federal business foreign tax credit _____ 11

Federal foreign tax credit	
Add lines 3 and 11.	Federal foreign tax credit _____ 12
The amount on line 12 should not be more than the amount on line 31 of the trust's Schedule 11.	
Enter the amount from line 12 on line 34 of the trust's Schedule 11.	

(a) **Non-business income tax paid to a foreign country** (see note below)

Total of non-business income or profits tax the trust paid to that country or to a political subdivision of that country for the year, minus any part of this tax that is deductible under subsection 20(11) or deducted under subsection 20(12) of the Canadian *Income Tax Act*. Non-business income tax paid to a foreign country does not include tax that can reasonably be attributed to an amount that:

- any other person or partnership has received, or is entitled to receive from the foreign country;
- relates to taxable capital gains from that country, and the trust claimed a capital gains deduction for that income;
- was deductible as income exempt from tax under a tax treaty between Canada and that country; or
- was designated under subsection 104(22).

Note:

Any amount of tax the trust paid to a foreign government in excess of the amount the trust had to pay according to a tax treaty is considered a voluntary contribution and does not qualify as foreign taxes paid.

(b) **Net foreign non-business income** (see note below)
Net amount you calculate when the non-business income the trust earned in a foreign country is more than the non-business losses the trust incurred in that country. When you calculate the non-business income and losses, claim the allowable expenses and deductions relating to the foreign income or loss. Subtract the following from the trust's foreign non-business income:

- any income from that foreign country for which the trust claimed a capital gains deduction;
- any income that was, under a tax treaty between Canada and that country, deductible as exempt from tax in Canada or in that country;
- any foreign resource deductions and exploration and development deductions; and
- any deduction claimed under subsections 20(11) or 20(12) and under subsection 4(3) relating to the foreign income, including any deduction claimed for foreign carrying charges.

Do **not** reduce the trust's foreign non-business income by any deduction the trust claimed for a dividend it received from a controlled foreign affiliate. If the trust's net foreign non-business income is more than its net income, use the trust's net income in the calculation.

For more information on deductions claimed under subsections 20(11) and 20(12) of the Act, see Interpretation Bulletin IT-506, *Foreign Income Taxes as a Deduction from Income*.

Note:

Only include the trust's foreign non-business income for the part of the year it was a resident of Canada.

(c) **Net income**

Line 50 of the trust's return **minus** any:

- net capital losses of other years you claimed (line 52 of the trust's return);
- capital gains deduction you claimed (line 53 of the trust's return); and
- amounts deductible as foreign income exempt under a tax treaty (included at line 54 of the trust's return).

(d) **Basic federal tax** (see note below)

Line 31 of Schedule 11 **plus** any:

- federal dividend tax credit (line 26 of Schedule 11); and
- federal surtax on income the trust earned outside Canada (line 9 of Part 2 of Form T3MJ or line 32 of Schedule 11);

minus any:

- refundable Quebec abatement (line 87 of the trust's return or line 14 of Part 2 of Form T3MJ); and
- federal refundable First Nations abatement (line 31 of Schedule 11 multiplied by the applicable rate from Form YT432).

Note:

If the trust was a resident of Quebec, **federal tax** is the amount on line 31 of Schedule 11 **plus** any:

- federal dividend tax credit (line 26 of Schedule 11);

minus any:

- refundable Quebec abatement (line 87 of the trust's return or line 14 of Part 2 of Form T3MJ).

(e) **Business income tax paid to a foreign country** (see note 1 below)

Total of business income or profits tax the trust paid to a country or a political subdivision of a country for the year (see note 2 below). It does not include any part of the business income tax that can be reasonably attributed to an amount that any other person or partnership has received or is entitled to receive from a country, or that was payable on income that was exempt from tax under a tax treaty between Canada and that country.

Note 1:

Any amount of tax the trust paid to a foreign government in excess of the amount the trust had to pay according to a tax treaty is considered a voluntary contribution and does not qualify as foreign taxes paid.

Note 2:

If the trust was a resident of Quebec, multiply this amount by 55%.

(f) **Unused foreign tax credits**

The carry-forward period for unused foreign **business** tax credits for a tax year ending before March 23, 2004, is 7 years.

(g) **Net foreign business income** (see note below)

Net amount by which the business income the trust earned in a foreign country is more than the business losses the trust incurred in that country. When you calculate the business income and losses, claim the allowable expenses and deductions relating to the foreign income or loss, including foreign resource deductions and exploration and development deductions. Reduce the trust's business income by any income from that country that was exempt from tax under a tax treaty between Canada and that country. If the trust's net foreign business income is more than its net income, use the trust's **net income** in the calculation.

Note:

Include only the foreign business income for the part of the year the trust was a resident of Canada.

(h) **Basic federal tax**

Line 31 of Schedule 11 **plus** any federal dividend tax credit (line 26 of Schedule 11).