



## PART XII.3 TAX RETURN TAX ON INVESTMENT INCOME OF LIFE INSURERS

- For use by life insurers to calculate the Part XII.3 tax on taxable Canadian life investment income for the year.
- Complete and file two copies of this return, separately from any other return, to the Tax Centre serving the life insurer's head office, on or before the due date of the insurer's *T2 Corporation Income Tax Return*.
- Terms used in this return are explained on the following page.
- Penalties apply if this return is not filed by the due date. Such penalties and any unpaid taxes include interest compounded daily at a prescribed rate.
- Parts, sections, subsections and paragraphs referred to on this return are from the federal *Income Tax Act*.
- All amounts in the attached schedules 1 to 4 are to be calculated for each policy separately, and then totalled before entering the figures.

**Do not use this area**

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

### Part XII.3 summary

Complete the following calculation using the amounts determined on the following pages of this return:

Basic investment income – amount A from Schedule 2 . . . . .	_____	1
<b>Add:</b> Claims fluctuation reserve adjustment – amount B from Schedule 3 . . . . .	_____	2
<b>Subtotal (line 1 plus line 2)</b>	_____	3
<b>Deduct:</b> 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
<b>Deduct:</b> 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 **balance unpaid**. **Balance** \_\_\_\_\_  
 Generally, we do not charge or refund a difference of \$2 or less.

Tick the box that applies:                      Overpayment                       Balance unpaid  \_\_\_\_\_ 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 on account of Part XII.3 tax are payable monthly during the tax year. Any remainder is payable on or before the corporation's 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 insurer whose account is to be credited.

### Certification

I, \_\_\_\_\_, certify that the information given in this return and in any attached documents, is to the best of my knowledge, true, correct, and complete.  
(please print)

\_\_\_\_\_ Signature of authorized officer \_\_\_\_\_

\_\_\_\_\_ Position or office                      \_\_\_\_\_ Date

**Do not use this area**

**Terms**

The following terms used in this return provide general guidance for the calculations required under the Act. For precise requirements, please see section 211 of the Act.

- **V122487 interest rate** (*i<sup>n</sup>*) 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). For corporations with December 31 year-ends, and not having a short tax year, (*i<sup>n</sup>*) has the following values: 5.54% for 2005; 5.24% for 2006; 4.94% for 2007; 4.68% for 2008; and 4.43% for 2009. For years not shown on this form, please contact your tax services office to get the V122487 interest rate (*i<sup>n</sup>*).
- **CFRmax** represents the maximum amount that would be determined under Regulation 1401(1)(c.1) 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 Canadian life insurance policies, 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<sup>gtd</sup>*) for an RRP policy refers to the rate of interest used in determining the guaranteed benefits or 4%, whichever is greater. For an FRP policy, (*i<sup>gtd</sup>*) is deemed to be nil.
- **Full rate policies** (FRPs) are taxable life insurance policies other than RRPs.
- **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 which 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 purposes of 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)**

Maximum reserve for the current year determined under Regulation 1401(1)(a), (c), or (d) of the <i>Income Tax Regulations</i> :	<b>Individual</b>	<b>Group</b>	
Canadian life insurance policies (ignore policy loans and accrued interest) . . . . .	_____	_____	1
<b>Add:</b> Reinsurance ceded on all life policies . . . . .	_____	_____	2
Subtotal (line 1 plus line 2)	_____	_____	3
<b>Deduct:</b> Reinsurance assumed on all life policies . . . . .	_____	_____	4
Direct written – Canadian life insurance policies (line 3 minus line 4) . . . . .	=====	=====	5
<b>Deduct:</b> Non-taxable policies (ignore reinsurance, policy loans, and accrued interest):			
Annuity contracts . . . . .	_____	_____	6
Registered life insurance policies . . . . .	_____	_____	7
Retirement compensation arrangements . . . . .	_____	_____	8
Existing guaranteed life insurance policies . . . . .	_____	_____	9
Total of above deductions (lines 6 to 9)	=====	=====	10
Policies subject to IIT (line 5 minus line 10) . . . . .	_____	_____	11
<b>Deduct:</b> Maximum determined under Regulation 1401(1)(d)(ii) re: disabled life reserves that are included in line 11 (ignore reinsurance policy loans and accrued interest) . . . . .	_____	_____	12
Taxable policies current year (line 11 minus line 12) . . . . .	=====	=====	13
Taxable policies preceding year (see note) . . . . .	=====	=====	14
Mean taxable policies (average of lines 13 and 14) . . . . .	=====	=====	15
<b>Mean maximum determined reserves subject to IIT</b> (total of amounts on line 15) . . . . .	=====	=====	16
		(to be allocated in column 3 of Schedule 2)	

**Note**  
On line 14, enter the amount that was reported on line 13 of Schedule 1 for the preceding year.



Schedule 4

**Canadian life investment income – Adjustment for amounts reported to policyholders  
Calculation of amount C in subsection 211.1(3)**

	1 Accrued income section 12.2	2 Policy proceeds paragraph 56(1)(j)	3 Total (col. 1 + col. 2)	4 Relevant percentage	5 Amount C (col. 3 × col. 4)
I. Full rate policies .....				100%	
II. Reduced rate policies .....				50%	
III. Former EGLIPs not included above, which are now taxable:					
Number of tax years or part years policy has been taxable:					
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 page 1)

**Note**

The amounts reported in columns 1 and 2 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 schedule under subsection 211.1(2)**

The carry-forward period for unused losses is as follows:

- 20 years for losses in a tax year ending after December 31, 2005;
- 10 years for losses in a tax year ending after March 22, 2004, and before January 1, 2006; and
- 7 years for losses in a tax year ending before March 23, 2004.

YYYY	MM	DD	Canadian life investment loss carryforward start of the year	<b>Add:</b> loss from current year	<b>Deduct:</b> loss carryforward used in the year	Loss carryforward available for later years
<b>Total</b>						

(enter on line 6 of page 1)