

# Tax on Split Income – 2011

Use this form to calculate your tax on split income if you meet **all** of the following conditions:

- you were born in 1994 or later;
- you were a non-resident at no time in 2011;
- you have a parent who was resident in Canada at any time in 2011; and
- you reported on your 2011 return, split income as described below.

Split income **includes** the following amounts:

- **shareholder benefits** (other than from ownership of shares of a class listed on a prescribed stock exchange) conferred on you, whether directly or through a partnership or trust (other than a mutual fund trust);
- **taxable amount of dividends (eligible and other than eligible)** from ownership of shares of a corporation (other than from shares of a class listed on a prescribed stock exchange and those of a mutual fund corporation), whether received directly or through a partnership or trust (other than a mutual fund trust); and

**Note**

Under proposed changes, after March 21, 2011, if you dispose of shares to a person with whom you do not deal at arm's length, and dividends on the shares would be subject to the tax on split income, then the capital gain arising from the disposition is deemed to be a taxable dividend. The deemed dividend is not an eligible dividend. If this applies to you, complete the calculation below.

- **other income** you received from a partnership or trust (other than a mutual fund trust) that came from income that a partnership or trust earned from providing property or services to, or in support of, a business carried on by:
  - a person related to you at any time in 2011;
  - a corporation of which one of your relatives was a specified shareholder at any time in 2011; or
  - a professional corporation of which one of your relatives was a shareholder at any time in 2011.

Split income **does not include** the income described above from property you inherited from a parent. It also does not include the income described above from property you inherited from anyone else provided you were either enrolled as a full-time student at a post-secondary educational institution in 2011, or you were eligible to claim the disability amount for 2011.

**Attach a completed copy of this form to your return.**

## Deemed dividends from dispositions of certain capital property

(shares subject to tax on split income)

If, after March 21, 2011, you (or a trust of which you are the beneficiary) disposed of shares to a person with whom you do not deal at arm's length, and the dividends on such shares would be subject to tax on split income, you must complete the calculation below.

**Otherwise**, complete Part 1 to calculate your federal tax on split income and Part 2 to calculate your provincial or territorial tax.

Capital gain on dispositions made after March 21, 2011			<b>A</b>
Amount of reserve for 2011 (calculated below)	-		<b>B</b>
Line A minus line B (cannot be negative)		Net capital gain	<b>C</b>
Add: Gains from box 21 of T3 slip (relating to such dispositions)	+		<b>D</b>
Line C plus line D	=		<b>E</b>

Multiply the amount on line E by **1.25** and include this amount on lines 1 and 2 of Part 1 on the next page, in Part 1 of Schedule 4, and on lines 120 and 180 of your return. **Do not** include this amount on Schedule 3.

### Calculation of reserve

You can claim a reserve up to a maximum of 4 years. Your reserve in each year cannot be more than the **lesser** of the following two calculations:

(i) Capital gain	×	$\frac{\text{Amount payable after the end of the year}}{\text{Proceeds of disposition}}$	<b>Year of sale</b>		<b>Year after the sale</b>	
			80 %	1st year: 60 % 2nd year: 40 %	3rd year: 20 % 4th year: zero	
(ii) Capital gain	×	_____ %	← (Enter the applicable percentage)			

Continue on the next page. ➔

## Part 1 – Federal tax on split income

The part of the taxable amount of dividends (eligible and other than eligible) described on the previous page received from taxable Canadian corporations	6835		1
The part of the taxable amount of dividends other than eligible dividends, included on line 1, from taxable Canadian corporations	6834		2
All other split income		+	3
Total split income: Add lines 1 and 3. Enter this amount on line 232 of your return.	6836	=	4
Federal tax on split income: Multiply the amount on line 4 by 29%. Enter this amount on line 424 of Schedule 1.			5

### To calculate the amount to enter on line 417 of Schedule 1, continue.

Federal dividend tax credit on split income:

Amount from line 1 above	6			
Amount from line 2 above	7	× 13.3333% =	9	
Line 6 minus line 7 (if negative, enter "0")	8	× 16.4354% =	10	
Add lines 9 and 10.		+		11
Line 5 minus line 11		=		12

#### Note

If the amount on line 12 is greater than the amount on line 429 of Schedule 1, use the amount on line 12, instead of the amount on line 429 of Schedule 1, when you calculate the refundable Quebec or Yukon First Nations abatement and the federal surtax on income earned outside Canada.

Federal foreign tax credit on split income:

The part of the amount on line 3 that is from foreign sources	6837		×	Amount from line 405 of Schedule 1	=	13
Total income from foreign sources	6838					
Line 12 minus line 13 (if negative, enter "0")		=				14
Enter the amount from line 406 of Schedule 1.		=				15
Enter the amount from line 416 of Schedule 1.		-				16
Line 15 minus line 16 (if negative, enter "0")		=				17
Enter the amount from line 14 or line 17, whichever is greater. Enter this amount on line 417 of Schedule 1.						18

## Part 2 – Provincial/territorial tax payable by an individual with split income

### Provincial/territorial tax on split income

Total split income from line 4	19
Enter the tax rate that applies to your province or territory from column 2 in the chart on the next page.	20
Multiply the amount on line 19 by the tax rate you entered on line 20.	21
Enter this amount on the line of your Form 428 shown in column 3 in the chart on the next page.	21

### To calculate the amount to enter on line 428 of your return, continue.

### Provincial/territorial dividend tax credit on split income for eligible dividends and dividends other than eligible dividends

Enter the amount from line 8.	22
Enter the eligible dividend tax credit rate that applies to your province or territory from column 4 in the chart on the next page.	23
Multiply the amount on line 22 by the rate you entered on line 23.	24
Enter the amount from line 7.	25
Enter the dividend other than eligible dividend tax credit rate that applies to your province or territory from column 5 in the chart on the next page.	26
Multiply the amount on line 25 by the rate you entered on line 26.	27
Add lines 24 and 27.	28
Line 21 minus line 28	29

Continue on the next page. ➔

**Provincial/territorial foreign tax credit on split income**

Enter the amount from line 29 on the previous page \_\_\_\_\_ = \_\_\_\_\_ **30**

Amount from line 6837 on the previous page \_\_\_\_\_

Amount from line 6838 on the previous page \_\_\_\_\_

Amount from the line number of your Form 428 shown in column 6 in the chart below \_\_\_\_\_

**X** \_\_\_\_\_ = - \_\_\_\_\_ **31**

Line 30 minus line 31 \_\_\_\_\_ = \_\_\_\_\_ **32**

Enter the amount from the line number of your Form 428 shown in column 7 in the chart below. \_\_\_\_\_ **33**

Enter the amount from line 32 or line 33, whichever is **greater**. Enter this amount on line 428 of your return. \*  **34**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
Province or territory	Tax rate	Enter the amount from line 21 on:	Eligible dividend tax credit rate	Dividend other than eligible dividend tax credit rate	Provincial/territorial foreign tax credit from:	Enter on line 33 the amount from:
NL	13.3%	line 42 of Form NL428	11%	5%	line 52 of Form NL428	line 83 of Form NL428
PE	16.7%	line 41 of Form PE428	10.5%	1%	line 74 of Form PE428	line 80 of Form PE428
NS	21%	line 41 of Form NS428	8.85%	7.7%	line 51 of Form NS428	line 81 of Form NS428
NB	14.3%	line 39 of Form NB428	12%	5.3%	line 50 of Form NB428	line 78 of Form NB428
ON	11.16%	line 40 of Form ON428	6.4%	4.5%	line 63 of Form ON428	line 68 of Form ON428
MB	17.4%	line 43 of Form MB428	11%	1.75%	line 58 of Form MB428	line 67 of Form MB428
SK	15%	line 44 of Form SK428	11%	5%	line 54 of Form SK428	line 75 of Form SK428
AB	10%	line 32 of Form AB428	10%	3.5%	line 42 of Form AB428	line 51 of Form AB428
BC	14.7%	line 40 of Form BC428	10.31%	3.4%	line 50 of Form BC428	line 71 of Form BC428
YT	12.76%	line 44 of Form YT428	15.08%	4.51%	line 60 of Form YT428	line 77 of Form YT428
NT	14.05%	line 39 of Form NT428	11.5%	6%	line 49 of Form NT428	line 55 of Form NT428
NU	11.5%	line 40 of Form NU428	5.8%	4%	line 50 of Form NU428	line 53 of Form NU428

\* If you were a resident of **Ontario**, calculate this amount by adding the **greater** of line 32 and 33 to the amount from line 69 of ON428.