

What do you need to send us?

Specified investment flow-through (SIFT) trust income tax calculations

SIFT trusts must provide the applicable information contained in the following charts below. Print this page and attach a completed copy to your T3 return. The trust must also answer the following 3 questions:

1. Does the trust qualify as a Mutual Fund trust?
2. Has the trust issued any new equity to replace debt that was existing on October 31, 2006? If so, provide details
3. Has the trust issued new equity in satisfaction of the exercise by another person or partnership of a right in place on October 31, 2006 to exchange an interest in a partnership, or a share of a corporation, for that new equity? If so, provide details.

Chart 1 – Taxable SIFT distributions

Taxable income (line 43 of the T3 return)					Line A
Non-deductible distribution amount	473 •	÷	1*	%	Line B
Taxable SIFT trust distributions (line A or B, whichever is less)					Line C
				57 •	

Note

Ensure the non-deductible distributions amount that is deemed to be dividends received by the beneficiaries from a taxable Canadian corporation has been included in the allocation of dividends on T3 Schedule 9, but has not been deducted at line 28 of the T3 return.

Chart 2 – SIFT trust tax calculation

Taxable income (line A, Chart 1)		×	33	%		Line A
Taxable SIFT trust distributions (Line C, Chart 1)		×	2*	%	+	Line B
Tax payable by SIFT trust (line A plus line B)						Line C
					11080 • =	

If the rate used in the calculation of line B was negative, deduct line B from line A.

Provincial or territorial part of SIFT trust's tax payable on taxable SIFT trust distributions

Taxable SIFT trust distributions (line C, Chart 1)	11152 •	×	3*	%		Line D
--	---------	---	----	---	--	--------

Chart 3 – Provincial or territorial taxable income

Taxable income (line A, Chart 1)						Line A
Taxable SIFT trust distributions (line C, Chart 1)					–	Line B
Provincial or territorial taxable income (line A minus line B)						Line C
					58 • =	

Enter the amount from line C on line 1 of the trust's T3 provincial or territorial tax form.

Chart 4 – Adjusted net income

Net Income (from line 32 of the T3 return)						Line A
Taxable SIFT trust distributions (line C, Chart 1)					–	Line B
Adjusted net income (line A minus line B)					=	Line C

Use the amount from line C in the place of net income when applicable for calculating the following amounts:

- foreign tax credits on Form T3PFT, T3 Provincial or Territorial Foreign Tax Credit
- capital gains refunds on Form T184, Capital Gains Refund for a Mutual Fund Trust
- net income allocations to multiple jurisdictions on Form T3MJ, Provincial and Territorial Taxes - Multiple Jurisdictions. When calculating the refundable Quebec abatement on Form T3MJ, use the trust's net income

Chart 5 – Adjusting the gross-up amount of eligible dividends kept or not designated by a SIFT trust

Enter the amount from Line 949, Part A, of T3 Schedule 9						Line A
The designated amount of taxable dividends deemed to have been an eligible dividend received by a beneficiary of a SIFT trust. (field 473, Chart 1)					–	Line B
Line A minus line B						Line C
					8241 • =	

Enter this amount on line 19 of T3 Schedule 8

Chart 6 – Refundable Quebec abatement

Net provincial income (line 32 of the T3 return minus line B of Chart 3)			Line 1
Total net income (line 32 of the T3 return)	÷		Line 2
Line 1 divided by line 2	=		Line 3
Enter the amount from line 20 of T3 Schedule 11 or, if the trust is subject to minimum tax, the amount from line 51 of T3 Schedule 12			Line 4
Enter the amount from line 3	×		Line 5
Multiply line 4 by line 5	=		Line 6
Rate for refundable Quebec abatement	×	16.5%	Line 7
Refundable Quebec abatement (multiply line 6 by line 7)	=		Line 8
Enter the amount from line 8 on line 50 of the T3 return			

Note

If the trust has income in multiple jurisdictions, calculate any refundable Quebec abatement for the trust on Form T3MJ, Provincial and Territorial Taxes – Multiple Jurisdictions.

Chart 7 – Net corporate income tax rate

If the trusts' fiscal period is not based on a calendar year, calculate the net corporate income tax rate as follows:

(number of days in period 1) ÷ (number of days in tax year)	=		×		%		Line 1
(number of days in period 2) ÷ (number of days in tax year)	=		×		%	+	Line 2
Net corporate income tax rate (line 1 plus line 2)						=	Line 3

Chart 8 – Provincial or territorial SIFT tax rate**Part A – Determine the SIFT trust's general corporate income tax rate for a province or territory**

If based on the SIFT trust's tax year, more than one general corporate income tax rate applies for a province or territory, complete Part A for each province or territory.

(number of days in which the first rate applies) ÷ (number of days in tax year)	=		×		%		Line 1
(number of days in which the second rate applies) ÷ (number of days in tax year)	=		×		%	+	Line 2
General corporate income tax rate for the province or territory (line 1 plus line 2)						=	Line 3

See the chart on the provincial/territorial SIFT tax part page for the general corporate income tax rates for each province or territory.

Where the SIFT trust has a permanent establishment(s) in only one province or territory, and does not have a permanent establishment outside Canada, line 3 is the SIFT trust's provincial/territorial SIFT tax rate for the year.

Where the SIFT trust had at least one other permanent establishment outside of the province or the territory (whether inside or outside of Canada), complete Part B.

Part B – SIFT trust with multiple jurisdictions in the tax year

If the trust has permanent establishments in multiple jurisdictions in the tax year, use the following formula to determine the prorated general corporate income tax rate for each province or territory. Repeat the calculation for all provinces or territories in which the trust has a permanent establishment, then enter the total of all amounts on line 5.

(taxable SIFT distributions attributed to a province or territory) ÷ (total taxable SIFT distributions)	=		×		%		Line 4
Total (from all provinces or territories)							Line 5
If the trust has no permanent establishments outside Canada, line 5 is the provincial or territorial SIFT tax rate for the year. Otherwise, continue below.							
(taxable SIFT distributions attributed to provinces or territories) ÷ (total taxable SIFT distributions)	=		×	0.10		+	Line 6
SIFT trust's provincial or territorial SIFT tax rate (line 5 plus line 6)						=	Line 7

Footnotes

1. Enter the rate determined by the following formula:
1 minus (net corporate income tax rate + provincial or territorial SIFT tax part)
The amount on line 29 of the T3 return must be equal to or greater than the non-deductible distributions amount.
2. Enter the amount determined by the following formula:
net corporate income tax rate + provincial or territorial SIFT tax part - 33%
Enter the amount from line C on line 9 of T3SCH11, Federal Income Tax
3. Enter the appropriate provincial or territorial SIFT tax part.
The amount from line D is included in line C; this amount is calculated for statistical purposes only.
Do not enter it on the T3 return or schedules