

## Income Tax on Split Income

Use this form to calculate the income tax payable on certain types of income (hereinafter “split income”) that you received in 2024, directly or through a trust (other than a mutual fund trust) or a partnership and that are not excluded amounts. This form is also to be used by legal representatives of deceased persons who received such income in 2024.

You must use the highest income tax rate to calculate the income tax on split income if you:

- are a **specified individual**;
- included split income in your 2024 income tax return (see page 6), including a capital gain for a reserve with respect to a capital gain realized in a previous year that was split income.

A “specified individual” is an individual who meets these conditions:

- The individual is resident in Canada at the end of the taxation year or, if the individual died during the year, was resident in Canada at the time of death.
- If the individual is under 17 before the taxation year concerned, one of the individual's parents is resident in Canada at any time in the taxation year concerned.

An amount received as split income is not subject to income tax on split income if it is an excluded amount (see page 6).

Enclose this form with your 2024 income tax return (or the deceased's principal return).

For more information about split income, contact us.

Read pages 6 to 8 before completing this form.

### 1 Information about the specified individual

01	Last name	02	First name
03	Social insurance number	04	Date of death (if applicable)
			Y Y Y Y M M D D

### 2 Income subject to income tax on split income

#### 2.1 Taxable amount of dividends from taxable Canadian corporations

Complete this section if you are reporting dividends from taxable Canadian corporations that you received as split income, including, if you are under 18 at the end of the year, a taxable capital gain of which double the amount is considered to be a taxable dividend other than an eligible dividend.

##### 2.1.1 Eligible dividends

Actual amount of eligible dividends for which you did not receive an RL slip <sup>1</sup>	10	
Gross-up rate	12	1.38
Multiply line 10 by 1.38.	13	
<b>Taxable amount of eligible dividends</b>		

##### 2.1.2 Ordinary dividends



Complete lines 14 through 20 **only** if you are a specified individual who is under 18 at the end of the year, you (or a trust of which you are the beneficiary or a partnership of which you are a member) disposed of unlisted shares to a person with whom you **are not dealing with at arm's length** and the dividends from the shares were subject to income tax on split income.

Otherwise, go directly to line 21.

Amount from line 13

13

Capital gain deemed to be an ordinary dividend (box 10-1, 12-7 or 12-14 of the RL-15 slip; box A-2, A-7, H-3 or H-5 of the RL-16 slip) realized on the disposition of shares by a specified individual who is under 18

14

Capital gain deemed to be an ordinary dividend realized on the disposition of shares by a specified individual who is under 18 (if it is not included on line 14)

+ 15

Amount of the reserve for 2023 (amount from line 17 of form TP-766.3.4-V completed for 2023)

16

Amount of the reserve for 2024<sup>2</sup>

- 17

Subtract line 17 from line 16. If the result is **negative**, put a minus sign (-) before it.

= 18

Add lines 14, 15 and 18.

**Net capital gain deemed to be an ordinary dividend**

= 20

Actual amount of ordinary dividends for which you did not receive an RL slip<sup>3</sup>

+ 21

Add lines 20 and 21. Enter the result on line 167 of your income tax return

if you have not already done so.<sup>4</sup>

**Actual amount of ordinary dividends**

= 23

Gross-up rate

× 24 **1.15**

Multiply line 23 by 1.15.

**Taxable amount of ordinary dividends**

= 25

### 2.1.3 Eligible and ordinary dividends

Taxable amount of eligible dividends and ordinary dividends (box 6-3 of the RL-15 slip; box I-1 of the RL-16 slip)

+ 26

Add lines 13, 25 and 26. Enter the result on line 128 of your income tax return, if you have not already done so.<sup>5</sup>

**Taxable amount of dividends from taxable Canadian corporations**

= 28

### 2.2 Taxable capital gains

Enter the capital gains (other than capital gains deemed to be dividends) that you received as split income shown in Schedule G of your 2024 income tax return.

Other capital gain realized **after** June 24, 2024 (box 12-9 of the RL-15 slip; box A-4 of the RL-16 slip)

30

Capital gains realized **after** June 24, 2024 (other than those entered on lines 20 and 30)

+ 31

Add lines 30 and 31.

= 32

Inclusion rate

× 33 **50%**

Multiply line 32 by 50%.

**Taxable capital gains realized after June 24, 2024**

= 34

Other capital gain realized **before** June 25, 2024 (box 12-16 of the RL-15 slip; box A-9 of the RL-16 slip)

30.1

Capital gains realized **before** June 25, 2024 (other than those entered on lines 20 and 30.1)

+ 31.1

Add lines 30.1 and 31.1.

= 32.1

Inclusion rate

× 33.1 **50%**

Multiply line 32.1 by 50%.

**Taxable capital gains realized before June 25, 2024**

= 34.1

Add lines 34 and 34.1.

**Taxable capital gains**

= 34.2





3.4 Foreign tax credit on split income

Complete this section if you entered foreign income on lines 50.1 and 80.1 of form TP-772-V, *Foreign Tax Credit*, and you **paid** income tax on all or a portion of that income. The income tax paid is entered on line 30.1 or 60.1 of form TP-772-V.

Foreign split income on which you paid foreign income tax (total of the amounts on lines 50.1 and 80.1 of form TP-772-V) <sup>7</sup>		70		
Foreign income on which you paid foreign income tax (total of the amounts on lines 50 and 80 of form TP-772-V)	÷	71		
Divide line 70 by line 71.	=	72		
Foreign tax credit (amount on line 90 of form TP-772-V)	×	73		
Multiply line 72 by line 73.		<b>Foreign tax credit on split income</b>	=	75

3.5 Non-refundable tax credits that can be deducted from income tax on split income

If you are not entitled to any of the non-refundable tax credits from sections 3.2, 3.3 and 3.4, go directly to line 89 and enter the amount from line 54.

Income tax on split income (amount from line 54)		80		
Amount for a severe and prolonged impairment in mental or physical functions (amount from line 59)	–	81		
Subtract line 81 from line 80.	=	82		
Dividend tax credit on split income (amount from line 69)	–	83		
Subtract line 83 from line 82.	=	84		
Foreign tax credit on split income (amount from line 75)	–	85		
Subtract line 85 from line 84. If the result is <b>negative</b> , enter 0.	=	89		

3.6 Amount to enter on line 443 (code 04) of your income tax return

As a rule, the amount of income tax on split income that you have to enter on line 443 (code 04) of your income tax return depends on the result on line 432 of the return. See the table below to determine the amount from this form that you must enter on line 443 of your return.

Result on line 432 <sup>8</sup>	Requirements	Amount to enter on line 443 (code 04)
Positive amount	N/A	Amount from line 54 of this form
Amount equal to zero		
Negative amount <sup>9</sup>	Adding the negative amount on line 432 of your return before bringing it to zero <b>and</b> the amount on line 54 of this form gives a <b>total that is more than the amount on line 89 of this form</b> . <sup>10</sup>	The total of the negative amount on line 432 of your return before bringing it to zero and the amount on line 54 of this form
	Adding the negative amount on line 432 of your return before bringing it to zero <b>and</b> the amount on line 54 of this form gives a <b>total that is equal to or less than the amount on line 89 of this form</b> . <sup>11</sup>	The amount on line 89 of this form

**However**, if you completed form TP-776.42-V, *Alternative Minimum Tax*, for 2024, you must use the work chart below instead of lines 10 to 18 in Part B of Schedule E of your income tax return to determine whether you must pay either of the following for the year:

- the income tax otherwise payable (including income tax on split income);
- alternative minimum tax.

Amount from line 430 of your return (If it is <b>negative</b> , put a minus sign [–] before it.)		90		
Amount from line 431 of your return	–	91		
Amount from line 48 of form TP-22-V or from line 43 of form TP-25-V, if applicable. Otherwise, subtract line 91 from line 90. If the result is <b>negative</b> , put a minus sign (–) before it.	=	92		
Amount from line 54 of this form	+	93		
Add lines 92 and 93.	=	94		
Alternative minimum tax carry-over (line 50 of form TP-776.42-V)	–	95		
Subtract line 95 from line 94. If the result is <b>negative</b> , enter zero.		<b>Income tax otherwise payable</b>	=	96



3.6 Amount to enter on line 443 (code 04) of your income tax return (continued)

Alternative minimum tax (line 34 of form TP-776.42-V)

97		
98		
99		
100		
101		
102		

Enter the amount from line 96 or line 97, whichever is **greater**.

Enter the amount from line 93 if lines 98 and 96 are the same. Otherwise, enter 0.

Subtract line 99 from line 98. If the result is negative or 0, carry it to line 102. If the amount is **negative**, put a minus sign (–) before it.

Deduction for logging tax. See the instructions for line 432 in the guide to the income tax return (TP-1.G-V).

Subtract line 101 from line 100. If the result is **negative**, put a minus sign (–) before it. **Carry the result to line 432 of your return.**

If the amount on line 98 is the one from line 96, enter, on line 443 (code 04), the amount from the table above determined using the amount on line 102 carried to line 432 of your return.

If the amount on line 98 is the one from line 97, you do not have to pay income tax on split income. Leave line 443 (code 04) of your return blank.

4 Adjusted taxable income under the rules for income tax on split income

As a specified individual subject to the rules for income tax on split income, you must adjust the amount of your taxable income (line 299 of your income tax return) to calculate the amount transferred by a child 18 or over enrolled in post-secondary studies or the unused portion of your non-refundable tax credits that you can transfer to your spouse (line 431).

To determine the amount of your adjusted taxable income, complete the work chart below.

For more information on adjusted taxable income, see page 7.

Amount from line 52	110	
	111	14%
Divide line 110 by 14%.	113	

Adjusted taxable income under the rules governing income tax on split income

Notes

1. Enter the actual amount of eligible dividends for which you received a federal information slip or a document showing the amount of the dividends (such as a payment statement, a bank deposit statement or any other supporting document).

2. You can enter an amount as a reserve only if a portion of the proceeds of the disposition of qualified shares is payable after the end of the taxation year. Otherwise, enter 0. For more information, see *Capital Gains and Losses* (IN-120-V).

3. Enter the actual amount of ordinary dividends for which you received a federal information slip or a document showing the amount of the dividends (such as a payment statement, a bank deposit statement or any other supporting document).

4. If you entered on line 167 of your income tax return the actual amount of certain ordinary dividends that are split income because, for example, you followed the instructions for box A-2 of the RL-16 slip, you must make sure that the amount included as split income on line 167 of your return is the same as the amount entered on line 23.

5. If you entered on line 128 of your income tax return the taxable amount of certain dividends from taxable Canadian corporations that are split income because, for example, you followed the instructions for box 6-3 of the RL-15 slip, you must make sure that the amount included as split income on line 128 of your return is the same as the amount entered on line 28.
6. If you entered on line 295 of your income tax return the amount of certain income subject to income tax on split income because, for example, you followed the instructions for box 3-4 of the RL-15 slip, you must make sure that the amount included as a deduction for split income on line 295 of your return is the same as the amount entered on line 49.

7. Make sure you entered the amount of split foreign income on which you paid foreign income tax on the appropriate lines of this form. The amount of split foreign non-business income on line 50.1 of form TP-772-V, *Foreign Tax Credit*, must be included, as applicable, in the amount on lines 35, 38, 39 and 44. The amount of split foreign business income on line 80.1 of form TP-772-V must be included, as applicable, in the amount on lines 37 and 45.

8. This could be the amount from line 102 of this form that is carried to line 432 if you are required to complete lines 90 to 102 on this form instead of lines 10 to 18 of Part B of Schedule E of your return.

9. This is the amount from line 432 before being brought to zero.

10. For example, if the amount on line 432 of your return is – \$194 before being brought to zero and the amount on line 54 of this form is \$2,575, the total income tax payable will be \$2,381 (– \$194 + \$2,575). Enter the result on line 443 (code 04).

11. For example, if the amount on line 432 of your return is – \$2,644 before being brought to zero and the amount on line 54 of this form is \$2,575, the total income tax payable will be – \$69 (– \$2,644 + \$2,575). Enter the amount from line 89 on line 443 (code 04).



## Information

### Split income

The types of income that are subject to income tax on split income are:

- taxable amounts of dividends on a share of a corporation (other than a share listed on a stock exchange or a share of the capital stock of a mutual fund corporation) received directly or through a partnership or a trust (other than a mutual fund trust or a trust that is deemed to be in existence by a congregation);
- benefits received as a shareholder on a share in a corporation (other than a share of a class listed on a stock exchange or a share of the capital stock of a mutual fund corporation) allocated directly or through a partnership or a trust (other than a mutual fund trust or a trust that is deemed to be in existence by a congregation);
- taxable capital gains realized on the disposition of shares to a person not dealing at arm's length with a specified individual that is a minor, where the dividends paid on the shares to the minor would be subject to income tax on split income (twice the amount of the taxable capital gain is deemed to be a taxable dividend other than an eligible dividend);
- income from a trust (other than a mutual fund trust or a trust that is deemed to be in existence by a congregation) or a partnership that is derived from:
  - one or more businesses related to the specified individual (see the definition of "related business" on page 8) for the year,
  - the rental of property if, during the year, a person related to the specified individual takes, on a regular basis, an active part in the rental activities of the trust or partnership or holds, either directly or indirectly through one or more partnerships, an interest in the partnership;
- amounts included in the calculation of your income (for example, interest) for the year that is related to a debt of a corporation whose shares are not listed on a stock exchange (other than a mutual fund corporation), a trust (other than a mutual fund trust) or a partnership, other than:
  - certain government debts or debts they guarantee,
  - a debt listed or traded on a public market,
  - a deposit to the specified individual's credit with a Canadian branch of a bank or credit union;
- taxable capital gains or profits realized on a disposition of any of the following **property** that the specified individual carried out **after 2017**, or allocated by a trust or a partnership that carried out a disposition of property after 2017:
  - a **share** of the capital stock of a corporation (other than a share of a class listed on a stock exchange or a share of a mutual fund corporation),
  - an interest as a beneficiary of a trust (other than a mutual fund trust or a trust that is deemed to be in existence by a community organization, such as a congregation),
  - an interest in a partnership,
  - a debt, other than excluded debts described in the previous bullet item.

If the property disposed of after 2017 **is not a share** in a corporation, the capital gain or profit is split income if **one** of the following conditions is met:

- an amount is included in the specified individual's split income for the property for the year or a preceding year;
- immediately before the disposition, all or a portion of the fair market value (FMV) of the property was attributable to, either directly or indirectly, a share of the capital stock of a corporation (other than a share of a class listed on a stock exchange or a share in a mutual fund corporation).

A taxable capital gain or profit realized on a disposition of property after 2017 that is not otherwise included in split income is also split income if the income derived from the property is split income for the specified individual.

### Excluded amount

An excluded amount is income that is not subject to income tax on split income for the year if it meets certain conditions and would otherwise be split income of a specified individual. As a rule, an excluded amount is determined on the basis of the specified individual's age as at December 31 (or immediately before death, if the individual died during the year).

An excluded amount can be income earned by a specified individual who is **18 or over** at the end of the year (or immediately before death if the individual died during the year) and the income:

- is not directly or indirectly from a business related to the specified individual;
- is directly or indirectly from an excluded business (see the definition on page 7) of the specified individual.

An excluded amount can be income earned by a specified individual who is **18 or over but under 25** at the end of the year (or immediately before death if the individual died during the year) and the income:

- is a safe harbour capital return (see the definition on page 8);
- is a reasonable return (see the definition on page 8) for the specified individual based only on the individual's contributions of arm's-length capital (see the definition on page 7).

An excluded amount can also be income earned by a specified individual who is **under 25** at the end of the year (or immediately before death if the individual died during the year) and the income is income or profit, including a taxable capital gain, derived from property that the specified individual inherited further to the death of:

- the specified individual's father or mother;
- another person if, during the year in which the income or profit must be reported, the specified individual was enrolled as a full-time student at a post-secondary educational institution or if a tax credit could be claimed with respect to the specified individual for a severe and prolonged impairment in mental or physical functions.

An excluded amount can also be income earned by a specified individual who is **25 or over** at the end of the year (or immediately before death if the individual died during the year) and the income:

- is derived from excluded shares (see the definition on page 8) of the specified individual or a taxable capital gain realized on the disposition of such shares; or
- is a reasonable return for the specified individual.



A specified individual who is 18 or over but under 25 is deemed to have reached age 24 before the taxation year concerned if the individual acquired the excluded shares (or if the shares were acquired on behalf of the individual) upon the death of another person who had reached age 24 before that year.

The following amounts are also deemed to be excluded amounts, regardless of the age of the specified individual:

- a taxable capital gain realized on:
  - the deemed disposition of capital property belonging to the specified individual immediately before the individual's death,
  - the disposition, after 2017, of property that is, at the time of the disposition, qualified farm or fishing property **or** a qualified small business share, if the capital gain deduction can be claimed for the taxable amount of the capital gain, unless the gain is deemed to be a dividend;
- income derived from property that the specified individual acquired from their spouse if, at the time the property was transferred, the spouses were separated and living apart as a result of the breakdown of their marriage, civil union or de facto union;
- income derived from a **related business** such as:
  - an amount received by the surviving spouse of a deceased person if the amount is an excluded amount for the deceased person,
  - an amount received by the spouse of a person who had reached 65 during the year or earlier if the amount would have been an excluded amount for the latter.

## Solidary liability with respect to split income

The age of a specified individual determines who is solidarily liable for the payment of the tax on split income. If you did not turn 17 before 2024, you and your parents are solidarily liable for the payment of the tax. If you turned 17 before 2024 and the income is from a related business, the tax on this income is the solidary liability of you and of each source individual (see the definition on page 8) who is sufficiently related to the related business. The relationship required between the source individual and the related business is described in the definition of "related business."

The liability of your parents and of each source individual is limited to the amounts included in your split income. However, your liability, as well as that of your parents and each source individual is not limited with respect to interest payable as a result of the application of the measures applicable to income tax on split income. Your liability is also not limited with respect to the application of other legal provisions.

## Adjusted taxable income under the rules governing income tax on split income

As a specified individual subject to the rules governing income tax on split income, you must adjust the amount of your taxable income (line 299 of your income tax return) to calculate the amount transferred by a child 18 or over enrolled in post-secondary studies. You must do the same when calculating the unused amount of non-refundable tax credits that you can transfer to your spouse (line 431 of your return).

## Amount transferred by a child 18 or over enrolled in post-secondary studies

You must adjust your taxable income to calculate the amount transferred by a child 18 or over enrolled in post-secondary studies (line 14 of Schedule S). The adjusted taxable income to enter on line 14 of Schedule S is the total of line 299 of your return and line 113 of this form.

## Non-refundable tax credits that you can transfer to your spouse

If the amount on line 430 of your income tax return is negative and you have a spouse on December 31, 2024, you must recalculate the unused amount of non-refundable tax credits that you can transfer to your spouse. In the new calculation, the adjusted taxable income amount is the total of line 299 of your return plus line 113 of this form. If the amount obtained is still **negative**, you can transfer it to your spouse on December 31, 2024. For more information on credits transferred from one spouse to another, see the instructions for line 431 in the guide to the income tax return (TP-1-G-V).

## Glossary

### Arm's-length capital

Property, or property substituted for the property, of a specified individual that is not:

- acquired by the individual as income from, or a taxable capital gain or profit from the disposition of, another property that is derived, directly or indirectly, from a related business in respect of the individual;
- borrowed by the specified individual under a loan or other indebtedness; or
- transferred, directly or indirectly, to the specified individual from a person who was related to the specified individual (other than as a consequence of the death of the person from whom the property was transferred).

## Excluded business

For a given taxation year, the business of a specified individual if they were actively engaged on a regular, continuous and substantial basis in the activities of the business in either the taxation year or any five prior taxation years.

The five prior years in which the involvement of the specified individual is necessary can be non-consecutive. Furthermore, these years can be before the effective date of the split income measures that apply to adults (beneficiaries of a trust or members of a partnership).

A business may be considered an excluded business of a specified individual even if it derives income from another business that is related to the specified individual and is not an excluded business.

Whether or not the specified individual is considered to be actively engaged (on a regular, continuous and substantial basis) in the activities of a business in a year depends on, among other things, the nature of the individual's involvement in the business and the nature of the business itself. An individual is considered to be actively engaged if they work an average of 20 hours per week.





## Excluded share

Shares of the capital stock of a corporation owned by a specified individual, if **all** of the following conditions are met:

- Less than 90% of the corporation's business income for its most recent taxation year is from the provision of services.
- The corporation is not a professional corporation (a corporation in which a person carries on the professional practice of an accountant, dentist, lawyer, medical doctor, veterinarian or chiropractor).
- The specified individual holds 10% or more of the FMV of the capital stock of the corporation and of the votes that could be cast at an annual meeting of the shareholders of the corporation.
- All or substantially all of the income of the corporation is not derived, directly or indirectly, from one or more related businesses that are not businesses operated by the corporation.

## Minor child

A person aged 17 or under on December 31 of the calendar year in which they receive income or gains.

## Reasonable return

Amount derived, directly or indirectly, in a given taxation year, from a business related to the specified individual that:

- meets the definition of "split income" in respect of the specified individual for the year, except for the following two conditions given in the definition of "excluded amount":
  - if the individual was 18 or over but under 25 at the end of the year, the amount is a reasonable return in respect of the individual, taking into account only the individual's contributions of arm's-length capital,
  - if the individual had been 25 or over, the amount would be a reasonable return in respect of the individual;
- is reasonable given the following factors relating to the contributions of the specified individual related to the business and those of each source individual:
  - the work performed for the business,
  - the property contributed, directly or indirectly, to the business,
  - the risks assumed in respect of the related business,
  - the total of the amounts paid or payable, directly or indirectly, by any person or partnership to, or for the benefit of, the specified individual or a source individual in respect of the related business, and
  - any other relevant factors.

## Related business

As the case may be:

- a business carried on, at any time in the year, by a source individual in respect of the specified individual or by a partnership, a corporation or a trust, if the source individual is actively engaged on a regular basis in the activities of the business;
- a business of a partnership if a source individual in respect of the specified individual has an interest in the partnership, whether directly or indirectly through one or more partnerships;
- a business of a corporation, if a source individual in respect of the specified individual holds shares of the capital stock of the corporation or property that derives, directly or indirectly, all or part of its FMV from shares of the capital stock of the corporation, and the total FMV of the shares or the property is 10% or more of the total FMV of the issued and outstanding shares of the capital stock of the corporation.

## Safe harbour capital return

Return obtained by a specified individual for a year that does not exceed the **highest** rate of interest prescribed for a given quarter of the year. The return is obtained by **multiplying** the FMV of property contributed by the specified individual to a related business at the time of the contribution **by** the ratio between the number of days in the year that the property (or property substituted for the property) is used in support of the activities of the related business and has not, directly or indirectly, in any manner whatsoever, been returned to the specified individual, **and** the number of days in the year.

## Source individual

An individual (other than a trust) who, at any time in the year, is resident in Canada and related to a specified individual.

### NOTE

An individual is related to a specified individual by blood, marriage or adoption, or by being the specified individual's de facto spouse.

