Canada Revenue Agency | Agence du revenu du Canada

SCHEDULE 4
Code 1302
Protected B when completed

Corporation Loss Continuity and Application

- Use this form to determine the continuity and use of available losses; to determine a current-year non-capital loss, farm loss, restricted farm loss, or limited partnership loss; to determine the amount of restricted farm loss and limited partnership loss that can be applied in a year; and to ask for a loss carryback to previous years.
- A corporation can choose whether or not to deduct an available loss from income in a tax year. The corporation can deduct losses in any order. However, for each type of loss, deduct the oldest loss first.
- According to subsection 111(4) of the *Income Tax Act* , when control has been acquired, no amount of capital loss incurred for a tax year ending before that time is deductible in computing taxable income in a tax year ending after that time. Also, no amount of capital loss incurred in a tax year ending after that time is deductible in computing taxable income of a tax year ending before that time.
- When control has been acquired, subsection 111(5) provides for similar treatment of non-capital and farm losses, except as listed in paragraphs 111(5)(a) and (b).
- For information on these losses, see the *T2 Corporation – Income Tax Guide.*
- File one completed copy of this schedule with the T2 return, or send the schedule by itself to the tax centre where the return is filed.
- All legislative references are to the federal *Income Tax Act* .

Part 1 - Non-capital losses

Determination of current-year non-capital loss

Net income (loss) for income tax purposes		677	A
Deduct: (increase a loss)			
Net capital losses deducted in the year (enter as a positive amount)	a		
Taxable dividends deductible under section 112 or subsection 113(1) or 138(6)	b		
Amount of Part VI.1 tax deductible under paragraph 110(1)(k)	c		
Amount deductible as prospector's and grubstaker's shares – Paragraph 110(1)(d.2)	d		
Subtotal (total of amounts a to d)	▶		B
Subtotal (amount A **minus** amount B; if positive, enter "0")			C
Deduct: (increase a loss)			
Section 110.5 or subparagraph 115(1)(a)(vii) – Addition for foreign tax deductions			D
Subtotal (amount C **minus** amount D)			E
Add: (decrease a loss)			
Current-year farm loss (the lesser of: the net loss from farming or fishing included in income and the non-capital loss before deducting the farm loss)			F
Current-year non-capital loss (amount E **plus** amount F; if positive, enter "0")			G

If amount G is negative, enter it on line 110 as a positive.

Continuity of non-capital losses and request for a carryback

Non-capital loss at the end of the previous tax year		1,618 e		
Deduct: Non-capital loss expired (note 1)	100	f		
Non-capital losses at the beginning of the tax year (amount e **minus** amount f)	102	1,618	▶ 1,618	H
Add:				
Non-capital losses transferred on an amalgamation or on the wind-up of a subsidiary (note 2) corporation	105	g		
Current-year non-capital loss (from amount G)	110	h		
Subtotal (amount g **plus** amount h)		▶		I
Subtotal (amount H **plus** amount I)			1,618	J

Note 1: A non-capital loss expires as follows:
- after **10** tax years if it arose in a tax year ending after March 22, 2004, and before 2006; and
- after **20** tax years if it arose in a tax year ending after 2005.

An allowable business investment loss becomes a net capital loss after **10** tax years if it arose in a tax year ending after March 22, 2004.

Note 2: Subsidiary is defined in subsection 88(1) as a taxable Canadian corporation of which 90% or more of each class of issued shares are owned by its parent corporation and the remaining shares are owned by persons that deal at arm's length with the parent corporation.