

Understanding your Empire Life T3/Relevé 16 slips

You have received a T3 slip because you have earned income from within a non-registered segregated fund policy. If you are a resident of Quebec you have also received a Relevé 16 slip.

Segregated funds allocate income on an annual basis to each of the investors in the fund. The income that is allocated from the fund is not actually paid to you but instead is reinvested into the fund and is reflected by an increase in the unit price.

A segregated fund reports taxable income as follows:

Fund-level activity	Client-specific activity	Type of income earned	T3	Relevé 16	Tax treatment
Canadian Treasury Bills, Bonds, Mortgages, Index Future Contracts		Interest	Box 26	Box G	Interest is fully taxable and will be taxed at your marginal tax rate.
Shares of Canadian corporations		Dividends	Box 49 or Box 23	Box C1 or C2	Dividend income receives a dividend tax credit. There are different dividend tax credit rates for eligible and non-eligible dividends that are reported in Box 51 and Box 39. On the Relevé 16 the dividend tax credit is reported in Box J.
Foreign bonds and shares of foreign corporations		Foreign	Box 25	Box F	Interest and dividends received from foreign bonds and corporations are fully taxable in Canada. Often the foreign jurisdiction also taxes the income and these taxes are deducted from the foreign income before it is allocated to you.
Sale of shares or units of investments owned by the segregated fund		Capital gain or loss	Box 21: capital gains Box 37: losses	Box A	Capital gains qualify for preferential tax treatment and are taxed at 50% of your marginal tax rate. The total of all capital losses are deducted from the total of all capital gains earned within the segregated fund; the net amount is then allocated to you.
	Surrender of units in the segregated fund by the client	Capital gain or loss	Box 21: capital gains Box 37: losses	Box A	Clients who surrender units of a segregated fund during the year will realize a capital gain if the market value when they surrender is greater than the adjusted cost basis (ACB) of the units. If the market value at date of surrender is below the ACB, the resulting loss is reported. The payment of a guarantee top-up on maturity of the policy or on the death of the annuitant of the policy will be reported as a capital gain.

The amount of your capital gains (losses) reported in Box 21 (37) reflects **both** the allocated capital gains (losses) from the segregated fund **and** the realized capital gain (loss) on your surrender of units during the year. The reverse side of your slip contains important information about how to report the income from your T3 (Relevé16) slips. Additional help is available online at www.cra-arc.gc.ca and www.revenu.gouv.qc.ca.

