



Are you tired of delaying surplus computations?

Changing environments and circumstances can shift focus away from annual surplus computations. Don't delay the preparation of surplus computations until next year. KPMG can make this task seamless with our [new web-based Surplus Calculator](#).

Importance of surplus computations

Surplus pools are intended to reflect the economic earnings of a foreign affiliate that are available for distribution to its shareholder(s). Surplus pools aid in determining the Canadian tax treatment of:

- **Dividends** paid by a foreign affiliate;
- **Capital Gains** on a disposition of the shares of a foreign affiliate;
- **Upstream Loans**;
- **Acquisitions/Corporate reorganizations**;
- **Safe Income Calculations**

The **CRA has stated that it will deny dividend deductions** to corporations that rely on surplus pools where there are no surplus computations to support the deduction. Therefore, surplus computations are imperative to ensure transactions and distributions have the intended Canadian tax consequences.

Surplus Calculator highlights

Intuitive and easy-to-use: The Surplus Calculator was designed with a certain level of logic including:

- **Dividend tiering** which automatically allocates dividends paid by one affiliate to another
- The ability to **automatically classify earnings** between exempt and taxable surplus.

Customization of deliverables: The Surplus Calculator allows KPMG to **customize the presentation of surplus balances** including the ability to see surplus balances by foreign affiliate subgroups and view surplus balances on a particular date. This can assist in transaction and distribution planning.

Collaborative capabilities: The Surplus Calculator allows organizations with in-house knowledge of surplus computations to assist with the preparation of the surplus computations, subject to KPMG review, through our **client input version**, providing added efficiencies.

Adjusted Cost Base (ACB) Calculator

The Surplus Calculator now includes an ACB Calculator to help clients maintain accurate ACB balances, an important attribute to consider when determining the amount of funds that can be distributed back to Canada exempt from further tax in Canada. The ACB Calculator leverages technology and efficiencies of the Surplus Calculator and allows clients to input their own information.

New foreign affiliate reporting rules

The CRA recently released the revised Form T1134 "Information Return Relating to Controlled and Not-Controlled Foreign Affiliates," that includes additional questions and more detailed requests. The revised Form T1134 will apply to filings for taxation years that begin after 2020.

Taxpayers should be putting processes in place now to meet these new obligations, as these new information demands coincide with the shorter 10-month filing deadline, which applies to filings for taxation years that begin after 2020.

Your tax advisor can help!

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KPMG has developed an end-to-end technology solution to assist with the collection, management, and transformation of the data needed to complete T1134 forms to help meet the expanded information requirements and shortened deadline