

# Surplus Calculator



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 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.

Accurate surplus computations are imperative to ensure transactions and distributions have the intended Canadian tax consequences. In addition, 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.

## Surplus Calculator highlights



### Intuitive and easy-to-use

The Surplus Calculator was designed with smart functionality including:

- Dividend tiering that automatically allocates dividends paid by one affiliate to another
- The ability to automatically classify earnings between surplus pools



### Customized reports

Surplus Calculator results can be customized in reports to identify surplus balances by foreign affiliate subgroups or to find surplus balances on a particular date. This level of analysis can assist in transaction and distribution planning.



### Collaborative capabilities

Organizations with in-house knowledge of surplus computations can input information into the Surplus Calculator, subject to KPMG review, to more efficiently perform the surplus computations.

## Adjusted cost base (ACB) calculator

The Surplus Calculator includes an ACB calculator to help 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 organizations to input their own information.

## Foreign affiliate reporting rules

Taxpayers may have to provide information about surplus pools on Form T1134 "Information Return Relating to Controlled and Non-Controlled Foreign Affiliates".

Taxpayers should be putting processes in place to meet these new obligations, as these information demands are required within a 10-month filing deadline. Your tax advisor can help.

Tax legislation is continuously changing and the CRA has placed significant focus in recent years on international tax matters, including surplus computations. By keeping surplus computations up to date, taxpayers can ensure sufficient support is available in the case of an audit inquiry. In addition, up-to-date surplus computations allow a taxpayer to plan for distributions and transactions to achieve the optimal Canadian tax result.

## Contact us

### Peter Phung

Partner, Surplus Calculator Lead  
International Corporate Tax  
416-224-4121  
pphung@kpmg.ca

### Shawn Brade

Partner, National Service Line Leader  
International Corporate Tax  
403-691-7951  
sbrade@kpmg.ca

### Richele Frank

Partner  
International Corporate Tax  
604-691-3398  
rlfrank@kpmg.ca

### Ronan Carrig

Partner  
International Corporate Tax  
519-251-3543  
rcarrig@kpmg.ca

### Claude Mignan

Partner  
International Corporate Tax  
514-840-5669  
cmignan@kpmg.ca

### Alex Feness

Partner  
International Corporate Tax  
416-777-8706  
afeness@kpmg.ca

Information is current as of February 27, 2025. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

[kpmg.com/ca](https://kpmg.com/ca)

