

BUSINESS INVESTMENT LOSS (BIL)

Business Investment Loss (BIL) = capital loss on the disposal of shares or debt instruments of a small business corporation.

What is a small business corporation?

- A small business corporation is a Canadian Controlled Private Corporation (CCPC) of which **all or substantially all (≥ 90%)** of the **fair market value** of its assets are
 - used in an active business carried on **primarily (>50%)** in Canada; or
 - invested in shares or debt of a **connected small business corporation**
 - connected means ownership of > 10% of the voting shares
- Assets not used in an active business include:
 - Marketable securities
 - Vacant land
 - Cash not being used in active business (excessive cash beyond what is needed to run operations)

Allowable Business Investment Loss (ABIL):

- **ABIL** = 50% * Business Investment Loss (BIL)

Special Rules for ABIL's

- ABIL's for the current year can be deducted against any source of income (business, property, employment and capital gains)
- Unused ABIL's become part of the **non-capital loss carryover** balance; as a result, it can be **carried back 3 years** and **carried forward 10 years** as a division C deduction against any source of income
- If at the **end of 10 years**, the ABIL carried forward as part of the Non-capital losses remains unused; it then becomes a component of **net-capital losses** and **carried forward indefinitely** as a division C deduction against **only taxable capital gains**