

THE CORPORATION CAPITAL TAX ACT

CORPORATION CAPITAL TAX

This bulletin will assist a corporation in filing a corporation capital tax return and in remitting the tax and instalment payments.

Note: The corporation capital tax was eliminated for all corporations except banks, trust and loan corporations, and crown corporations, as of December 31, 2010. Corporations no longer taxable after that date are required to file a final tax return for the fiscal year that includes December 31, 2010.

Section 1 - DEFINITIONS

What is the Corporation Capital Tax?

- Corporation Capital Tax (CCT) is a tax on annual paid up capital of corporations with a permanent establishment in Manitoba.

Paid up capital

- Paid up capital generally includes capital stock, surpluses, reserves, shareholders' advances and loans, bank loans, long-term indebtedness and other indebtedness (including bankers' acceptances), but excludes current accounts payable. For purposes of applying the tax, the paid up capital is the aggregate of the above amounts on the corporation's year end balance sheet.

Section 2 – CORPORATION CAPITAL TAX RETURNS, INSTALMENTS AND PAYMENTS

Who must file a CCT return?

- For fiscal years beginning after January 1, 2007:
 - Corporations with permanent establishments in Manitoba that have taxable paid up capital in excess of the \$10,000,000 capital deduction, or
 - associated corporations if the total taxable paid up capital of the group of associated corporations for fiscal years ending in the same calendar year is in excess of the \$10,000,000 capital deduction.

Filing of returns and payment of tax owing

- A corporation required to file a return must do so and pay any tax due on or before the last day of the 6th month immediately following the end of its fiscal year.

For example: A corporation with an October 31, 2009 fiscal year end must file the return and pay any balance of tax due by April 30, 2010

Note: Revisions to contents of previous Bulletin (April 2008) have been identified by shading ().

(See requirements for making tax instalments in this bulletin).

- Payments may be made online at manitoba.ca/TAXcess or by mail to one of the Taxation Division offices listed at the end of this Bulletin.
- A Corporation Capital Tax Return Notice will be mailed three months before your return is due, as a reminder that the annual return is due. Returns are available on the web site or by calling Taxation Division offices listed at the end of this Bulletin.
- Where a corporation or a group of associated corporations had established that it had no CCT payable and subsequently has CCT payable for any fiscal year, it is their responsibility to register with the Taxation Division, file the required returns and remit the tax due. Late returns and tax remittances are subject to penalties and interest.
- For fiscal years beginning after January 1, 2007, the following table summarizes the tax rate reductions until the general CCT is eliminated December 31, 2010:

**Tax rates
(except crown
corporations;
bank, trust and
loan
corporations)**

Total Paid Up Capital (PUC)*	Fiscal Years Beginning After January 1				After December 31, 2010
	2007	2008	2009	2010	
Up to \$10 Million	0%	0%	0%	0%	Eliminated
\$10 - \$20 Million	0.3%	0.2%	0.1%	0%	
> \$21 Million	0.5%	0.4%	0.3%	0.2%	

* For corporations with total PUC between \$20 million and \$21 million, tax will apply at the following notch rates for years beginning after January 1:

- 2007 - 2.5% of the total PUC greater than \$20 million plus \$30,000
- 2008 - 2.4% of the total PUC greater than \$20 million plus \$20,000
- 2009 - 2.3% of the total PUC greater than \$20 million plus \$10,000
- 2010 - 2.2% of the total PUC greater than \$20 million.

Please Note: Corporations with fiscal years that straddle December 31, 2010 will only pay tax for that portion of the year up to and including that date. The prorated tax payable will be calculated using the following formula:

$$T = P \times F / 365$$

- T is the tax payable for the straddle year.
- P is the tax that would have been payable for a full fiscal year (i.e. 365 days).
- F is the number of days in the year before January 1, 2011.

Crown corporations

- The tax rate for crown corporations is 0.5% of the taxable paid up capital.

Bank, trust and loan corporations

- There are special rules and tax rates for bank, trust and loan corporations. Please refer to *The Corporation Capital Tax Act* for details.

- Bank, trust and loan corporations must include all subordinated debt in their calculation of taxable paid up capital.
- The tax rate for bank, trust and loan corporations is 3% of the taxable paid up capital.
- Effective for fiscal years ending after April 12, 2011, bank, trust and loan corporations with taxable paid up capital under \$4 billion are exempt from CCT. The \$4 billion exemption limit must be shared among associated corporations.

Please Note: Bank, trust and loan corporations qualifying for this exemption should cease making instalments, but are required to file a final tax return for the fiscal year that includes April 12, 2011. Instalments made by a qualifying corporation for a yearend that includes that date are refundable

Exempt corporations

- The following types of corporations are exempt from CCT:
 - Credit unions.
 - Co-operative corporations.
 - Family farm corporations.
 - Corporations exempt from income tax under Subsection 149(1) of the *Income Tax Act* (Canada).
 - Manufacturing and processing corporations (effective July 1, 2008).
 - General corporations (effective January 1, 2011).
 - Bank, trust and loan corporations with taxable paid up capital under \$4 billion (effective for fiscal years ending after April 12, 2011).
- Please see bulletin No. CCT 002 – Manufacturing and Processing Corporations for further information on the tax exemption for these corporations.

Tax instalments

- Bank, trust and loan corporations with paid up capital under \$4 billion, and general corporations can cease making tax instalments after December 2010.
- Corporations with tax payable exceeding \$5,000 in the immediately preceding fiscal year are required to remit quarterly instalments equal to the lesser of:
 - 25% of the tax paid for the preceding fiscal year, or
 - 25% of the estimated tax payable for the current year.

For example: If a corporation estimates its tax payable for the current year to be \$70,000 and the tax paid for the immediately preceding fiscal year was \$60,000, the corporation is required to make quarterly instalments in the amount of 25% x \$60,000 which equals \$15,000 per instalment.

- The corporation's quarterly instalment payments are due on or before the 15th day of the 3rd, 6th, 9th and 12th months following the month in

which the corporation's immediately preceding fiscal year ended.

For example: If a corporation's fiscal year end is December 31, 2009, quarterly instalment payments are due on or before March 15, 2010, June 15, 2010, September 15, 2010 and December 15, 2010.

- A personalized quarterly instalment form will be mailed to taxable corporations in advance of the due date of each instalment. However, it is the responsibility of taxable corporations to report and pay the instalment even if an instalment form has not been received.
- Payments may be made online at manitoba.ca/TAXcess, in person at most financial institutions in Canada or by mail to one of the Taxation Division offices listed at the end of this Bulletin.

Short fiscal year

- Corporations with a short fiscal year may calculate the prorated tax payable based on the number of days in their fiscal year in accordance with the following formula:

$$T = P \times F / 365$$

- T is the tax payable in the short fiscal year.
- P is the tax that would have been payable for a full fiscal year (i.e. 365 days).
- F is the number of days in the short fiscal year.

For example: A corporation changes its fiscal year-end and as a result has a short fiscal year of 100 days. The tax payable for the full fiscal year would have been \$100,000. Using the above formula, the tax payable would be:

$$\$27,400 = \$100,000 \times 100/365.$$

Due date

- When the due date for a return or instalment payment falls on a weekend or public holiday, the due date is the next business day.

Interest

- Late or insufficient tax remittances on returns or tax instalments are subject to interest from the date that an amount was required to be paid to the date on which it was paid. Outstanding debts will be subject to interest compounded monthly. The interest rate payable is set every January 1 and July 1 at the prime lending rate given to the province plus 4%.

Penalties

- A corporation that is required to file a return for a fiscal year, and fails to do so or files an incomplete return, is liable to be assessed a penalty not exceeding \$200 for each day during which the failure continued.
- A corporation that fails to pay any tax owing on account of their return for a fiscal year, in the amount and at the time required, is liable to a penalty of 10% of the amount of unpaid tax at the time payment was required.

Resident corporations

- A corporation that is a resident in Canada within the meaning of the

Income Tax Act (Canada) is a corporation resident in Canada for the purposes of *The Corporation Capital Tax Act*.

Non-resident corporations

- A corporation not resident in Canada for purposes of the *Income Tax Act* (Canada) is a corporation not resident in Canada for purposes of *The Corporation Capital Tax Act*.
- The taxable paid up capital for non-resident corporations is calculated using **Canadian figures only**.

Allocation rules

- The rules for allocating taxable paid up capital to Manitoba are generally the same as the income allocation rules under the *Income Tax Act* (Canada). Please refer to the *Corporation Capital Tax Regulation* for additional details.

FURTHER INFORMATION

This bulletin is intended as a guideline and is not all-inclusive. For the specific wording of the law, please refer to *The Corporation Capital Tax Act* and Regulation. Further information may be obtained from:

Winnipeg Office

Manitoba Finance
Taxation Division
101 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone (204) 945-5603
Manitoba Toll-Free 1-800-782-0318
Fax (204) 948-2087

Westman Regional Office

Manitoba Finance
Taxation Division
314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Fax (204) 726-6763

E-mail: MBTax@gov.mb.ca

ONLINE SERVICES

Our Web site at manitoba.ca/finance/taxation provides tax forms and publications about taxes administered by Taxation Division, and a link to Manitoba's laws and regulations. Forms and publications can also be obtained by contacting the Taxation Division.

Our online service at manitoba.ca/TAXcess provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.