

THE CORPORATION CAPITAL TAX ACT

MANUFACTURING AND PROCESSING CORPORATIONS

This bulletin explains the exemption for manufacturing and processing corporations announced by Manitoba Finance Minister Greg Selinger in his 2008 Budget Address. The transitional rules for filing the final Corporation Capital Tax (CCT) return and for remitting the tax and instalment payments are also outlined.

Manufacturing and processing corporations

- Effective July 1, 2008, the CCT is eliminated for corporations that use more than 50% of their labour and capital in the province for manufacturing and processing activities as defined by the *Income Tax Act (Canada)*.

Cost of labour and capital

- The cost of a corporation's labour and capital in the province is determined in accordance with section 5202 and/or section 5204 of the *Income Tax Regulations (Canada)*.

Transitional rules for tax instalments

- Eligible manufacturing and processing corporations with fiscal year-ends that straddle the effective date will pay tax on a prorated basis for that portion of the year up to June 30, 2008. Instalments can be reduced by these corporations as follows:

Quarterly Instalments

- Eligible corporations with instalments due on June 15, 2008 can cease paying instalments after this period.
- Instalments due on July 15, 2008 can be reduced by one third to prorate the tax to June 30, 2008. No further instalments are required.
- Instalments due on August 15, 2008 can be reduced by two thirds to prorate the tax to June 30, 2008. No further instalments are required.

For example: A manufacturing and processing corporation with a March 1, 2008 to Feb. 28, 2009 fiscal year is only required to make 2 quarterly instalments. If they are required to make total annual instalments of \$12,000, the first instalment will be for \$3,000 (25% x \$12,000) on May 15, 2008 and the second instalment will be for \$1,000 (25% x \$12,000 = \$3,000/3 = \$1,000) on August 15, 2008. As only one month of the second instalment is taxable, only 1/3 of the regular quarterly instalment is due.

Annual Instalment

- The annual instalment can be reduced to prorate the tax for that portion of the year up to June 30, 2008.

For example: If a manufacturing and processing corporation with a March 1, 2008 to Feb 28, 2009 fiscal year has tax payable of \$2,000 for a full year, they may adjust their annual instalment due on May 31, 2009 to prorate the tax payable for the period up to June 30, 2008. The annual instalment payable will be \$667 (\$2,000 x 4/12).

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

Only the months of March, April, May and June 2008 are taxable.

Final return and proration of tax

- Eligible manufacturing and processing corporations will be required to file a final CCT return for the fiscal year that includes June 30, 2008.
- When filing the return, additional schedules certifying that the corporation is an eligible manufacturing and processing corporation will be required. The corporation must demonstrate that they employ more than 50% of their labour and capital in the province in manufacturing and processing activities as defined by the Income Tax Act (Canada).
- The final return will be completed on the same basis and with the same due date as if the corporation was taxable for the whole year. However, the tax payable will be calculated on a prorated basis for the portion of the fiscal year up to June 30, 2008 in accordance with the following formula:

$$\text{Tax Payable} = T \times A / 365$$

- T is the amount of tax otherwise payable for the fiscal year.
- A is the number of days in the fiscal year prior to July 1, 2008.

For example: An eligible manufacturing and processing corporation has an April 1, 2008 to March 31, 2009 fiscal year. The return and any outstanding tax are due by September 30, 2009. If the tax payable for the full fiscal year is \$20,000, the prorated amount to June 30, 2008, using the above formula is \$4,986 (= \$20,000 x 91/365).

General information

- For general information on the corporation capital tax, please see Bulletin No. CCT 001 – Corporation Capital Tax.

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:

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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.