INFORMATION Service

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THE CORPORATION CAPITAL TAX ACT

INFORMATION FOR CORPORATIONS REQUIRED TO FILE A CORPORATION CAPITAL TAX RETURN

This bulletin outlines the application of the Corporation Capital Tax (CCT) to assist you in filing your tax returns and instalments.

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.

Who must file a return

- Corporations with permanent establishments in Manitoba that have taxable paid up capital of $5,000,000, or more.
- Associated corporations where the total taxable paid up capital of the group of associated corporations in a calendar year is $5,000,000, or more.
- **Please note:** Corporations or a group of associated corporations with total taxable paid up capital of less than $5,000,000, must file a return to establish their exempt status with the Taxation Division.

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, 2004 fiscal year end must file the return and pay any balance of tax due by April 30, 2005. (See requirements for making tax instalments in 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 on page 4 of this Bulletin. It is the responsibility of taxable corporations to file the return unless the corporation has previously filed

Note: Revisions to contents of previous Bulletin (April 2004) have been identified by shading (   ).

a return establishing its exempt status and it continues to be exempt.

- Where a corporation or group of associated corporations ceases to be exempt for any fiscal year, it is the responsibility of the corporation(s) to be registered with the Taxation Division, file required returns and pay the tax due in accordance with the Act. Late returns and tax remittances are subject to interest and penalties.

Basic rate of tax

- The basic rate of tax for all corporations (except banks, trust and loan corporations) is 0.3 per cent of the taxable paid up capital of the corporation at the close of the fiscal year.

Surtax

- A surtax of 0.2 per cent of the portion of the taxable paid up capital of a corporation that exceeds $10,000,000 shall be added to the amount payable as the basic rate of tax.

Notch rate

- For fiscal years ending after January 1, 1999 and beginning before January 2, 2004, if the total taxable paid up capital of a corporation, or of a group of associated corporations, is more than $5,000,000 but less than $5,015,000, the tax payable is equal to the amount of total taxable paid up capital in excess of $5,000,000 to a maximum of $15,000.

  For example: The tax is $1,500 where a corporation, or a group of associated corporations, has total taxable paid up capital of $5,001,500.

Rules for bank, trust and loan corporations

- There are special rules and tax rates for computation of the taxable paid up capital for bank, trust and loan corporations (Please refer to The Corporation Capital Tax Act for details.)

- Banks, trusts and loan corporations must include all subordinated debts in their calculation of taxable paid up capital.

- The tax rate for banks, trust and loan corporations is 3 per cent of the taxable paid up capital.

Exemptions from capital tax

- For fiscal years ending after January 1, 1999 and beginning before January 2, 2004, corporations are exempt from the tax where the total taxable paid up capital of the corporation, or of the group of associated corporations, is less than $5,000,000.
  Please note: The $5,000,000 exemption is not a deduction.

- The following types of corporations are exempt from tax:

  - Credit unions.
  - Co-operative corporations.
  - Family farm corporations.
  - Corporations exempt from income tax under Subsection 149(1) of The Income Tax Act (Canada).

Capital Tax Deduction (effective after January 1, 2004)

- For fiscal years commencing after January 1, 2004, the $5 million exemption will be changed to a $5 million deduction. Taxable corporations will not pay tax on their first $5 million of taxable paid up capital. Associated corporations will share one deduction.

Tax instalment payments

- Corporations with tax payable of $2,400 or less in the immediately preceding fiscal year, are required to remit on or before the last day of the 3rd month immediately following the end of the fiscal year, an instalment equal to the tax payable for the immediately preceding fiscal year.

  For example: If a corporation paid tax of $2,000 for the fiscal year ending April 30, 2004 , an instalment of $2,000 must be paid by July 31, 2005 for the fiscal year ending April 30, 2005.

- Corporations with tax payable exceeding $2,400 in the immediately preceding fiscal year are required to remit quarterly instalments equal to the lesser of:

  - 25 per cent of the tax paid for the preceding fiscal year, or
  - 25 per cent of the estimated tax payable for the current year.

  For example: If a corporation estimates its tax payable for the current year to be $3,000 and the tax paid for the immediately preceding fiscal year was $2,600, the corporation is required to make quarterly instalments in the amount of 25 per cent x $2,600 which equals $650 per instalment.

- Newly registered corporations with estimated tax payable for the fiscal year exceeding $2,400, must remit quarterly instalments based on the estimated tax for the current fiscal year.

- 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, 2004, quarterly instalment payments are due on or before March 15, 2005, June 15, 2005, September 15, 2005 and December 15, 2005.

- 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.

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 per cent.

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 payable for a fiscal year, in the amount and at the time required by the Act, is liable to a penalty of 10 per cent of the amount of the balance of tax that is unpaid 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 the capital tax payable in Manitoba are generally similar to the allocation rules under the Income Tax Act (Canada). Please refer to the regulations under the Act for additional details on the general allocation rules and the special allocation rules for certain corporations.

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 Act and Regulation stated below. 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
E-mail: MBTax@gov.mb.ca
Web Site: www.gov.mb.ca/finance/taxation

Westman Regional Office
Manitoba Finance
Taxation Division
349, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Telephone (204) 726-6153
Manitoba Toll-Free 1-800-275-9290
Fax (204) 726-6763

Please note: When corresponding with the Taxation Division, please quote your account number.

Principal References in Legislation: *The Corporation Capital Tax Act of Manitoba (C.C.S.M. c. C226) and Manitoba Regulation (67/88R)*.