

## Combined Return, Short-form Return and the Exempt From Filing Policy for Corporations

References: subsections 75(1), 75(2), 75(5), 75(13), 75(14), 75(15) and 98(4)

### Application

*This bulletin replaces Information Bulletin 4001R originally published April 2003.*

*This bulletin discusses:*

- *the combined CT23 Corporations Tax and Annual Return*
- *the CT23 Short-Form Corporations Tax and Annual Return, and*
- *the Exempt from Filing (EFF) policy and the EFF Declaration.*

*This bulletin applies to all corporations except insurance corporations. It is provided as a guide to taxpayers and is not intended as a substitute for the relevant legislation. Any references to legislation are to the provisions of the CTA and its Regulations, unless otherwise noted.*

## Combined CT23 Corporations Tax and Annual Return

### The Combined Return

1. A joint initiative between the Ministry of Finance (MOF) and the Ministry of Government Services (MGS) (formerly the Ministry of Consumer and Commercial Relations) has resulted in the creation of a combined return.
2. For taxation years ending in 2000 and subsequent, corporations that would otherwise have to file a CT23 Corporations Tax Return (CT23) with the MOF and an Annual Return with the MGS separately, have the option of filing a combined return with the MOF.
3. On receipt of the combined return, the Corporations Tax Branch of the MOF processes the CT23 required under the CTA, and:
  - collects the information on the Annual Return on behalf of the MGS, and
  - pursuant to subsection 98(4), forwards the information to the MGS.

### Rationale for the Annual Return

4. The Annual Return is used by the MGS to collect information under the authority of the *Corporations Information Act* for the purpose of maintaining a public database (Ontario Business Information System) of corporate information. It is important that this public database is kept current with accurate information, as it is the official record for public disclosure purposes. The data on this public database is used by the business and legal communities, law enforcement agencies, other government bodies and the media to:
  - search for an address of a corporation and the names of its directors
  - enforce taxation policies and other legislated responsibilities of corporate directors
  - assess a corporation's ability to enter into a business transaction, and
  - identify individuals with whom one is doing business.

## How to File the Combined Return

5. A corporate taxpayer currently has two filing options to file the combined return:
  - electronically by disk – Dfile, and
  - by paper (computer generated or on a Ministry pre-printed form).
6. A corporation that is subject to the Corporate Minimum Tax (i.e., a corporation that either alone or as part of an associated group, has assets exceeding \$5,000,000 or total revenues exceeding \$10,000,000 for the taxation year) is required to file electronically. Under the Dfile electronic filing option, software packages that are used to complete Ontario corporate tax returns are adapted for the combined CT23 Corporations Tax and Annual Return. Old versions of the CT23 issued prior to 2000, whether Ministry preprinted, computer generated or in Dfile format, cannot be used by corporations required to file a combined Annual Return and CT23. Therefore, taxpayers should confirm with their software vendors that the software they are using is certified specifically for returns for the year 2000 and subsequent years.
7. A corporation that chooses to file its Annual Return directly with the MGS will still be able to do so through an Internet option. For information on this filing option, refer to MGS's websites at:

**[www.mgs.gov.on.ca](http://www.mgs.gov.on.ca)**

These websites provide access to the two primary service providers for the electronic filing of various MGS forms: OnCorp Direct Inc. and Cyberbahn Inc. Electronic filing of the Annual Return is currently available through Cyberbahn Inc.

8. If a corporation is required to file a CT23 but has filed the Annual Return electronically to the MGS, then the corporation does not have to submit an Annual Return on the combined form to the MOF.

## Who Must File the MCBS's Annual Return

9. Every share-capital corporation that is incorporated, amalgamated or continued in Ontario under the Ontario *Business Corporations Act*, must file an Annual Return.
10. Every foreign extra-provincial share-capital corporation which has a licence endorsed under the *Extra-Provincial Corporations Act* to carry on business in Ontario must file an Annual Return. Foreign extra-provincial corporations are those corporations that are incorporated, amalgamated or continued outside Canada.
11. Certain foreign extra-provincial corporations that are not required to obtain an extra-provincial licence under the *Extra-Provincial Corporations Act*, are exempt from the requirement to file an Annual Return. Exempt corporations are described in section 15 of the Regulations to the *Extra-Provincial Corporations Act* include banks and railway corporations, and other corporations licensed or registered under the *Insurance Act*, the *Investment Contracts Act* or the *Loan and Trust Corporations Act*.
12. A corporation that is incorporated, continued, or amalgamated in a Canadian jurisdiction other than Ontario is not required to file an Annual Return.

## When Must the Annual Return be Filed

13. A corporation is required to deliver the Annual Return within six months after the end of its taxation year, irrespective of its CT23 filing requirements. This applies whether the Annual Return is delivered to the MOF or electronically delivered directly to the MGS.
14. A corporation is only required to file one Annual Return for each calendar year. This return is due at the time the first CT23 is required to be delivered to the MOF during a calendar year. A corporation's CT23 is required to be delivered on or before the last day of the sixth month after the end of its taxation year.

### When Must the Annual Return be Filed (continued)

15. The Annual Return is considered to be delivered on the day it is received by the Ministry of Finance unless it is filed electronically through the use of a value added network. If filed electronically, the Annual Return is considered to have been delivered on the day the MOF acknowledges receipt and acceptance of the return.
16. If the Annual Return is delivered electronically to the MGS during MGS's business hours, the date of receipt will be considered to be that day. Otherwise, the date of receipt will be MGS's next business day.
17. An Annual Return is considered filed if it is correct and complete and has been recorded in the Ontario Business Information System. The MGS will contact corporations regarding incomplete Annual Returns and other filing deficiencies. The Annual Return will not be considered filed until all of the deficiencies are corrected.
18. Corporations that do not properly file an Annual Return may be subject to penalties, including the cancellation of their charter or license. These penalties are in accordance with the Acts to which they are subject that are administered by the MGS.

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## CT23 Short-form Corporations Tax and Annual Return

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### Who May File the Short-form Return

19. Effective for taxation years commencing after January 1, 2000, small business corporations have the option of filing a new short-form tax return. The short-form return has also been combined with the Annual Return to allow small corporations to file a combined return called the CT23 Short-Form Corporations Tax and Annual Return. This return can be used by a corporation that meets all of the following criteria:
  - the corporation is a Canadian-controlled private corporation (CCPC) throughout the taxation year
  - the corporation has a permanent establishment only in Ontario
  - the corporation's taxable income for the taxation year (grossed-up to the equivalent of a full year for short taxation years) is \$200,000 or less
  - the corporation is not a member of a partnership/joint venture or a member of an associated group of corporations during the taxation year
  - the corporation's taxation year ends on or after January 1, 2001, and its gross revenue and total assets are each \$1,500,000 or less **OR** the corporation's taxation year commences after September 30, 2001, and its gross revenue and total assets are each \$3,000,000 or less
  - the corporation is not a financial institution, and
  - the only tax credit, if any, that the corporation is claiming is the incentive deduction for small business corporations, the co-operative education tax credit or the graduate transitions tax credit.
20. A family farm or fishing corporation may also use the Short-Form Return if it meets all of the above criteria, other than the gross revenue and total assets test.

## Exempt From Filing (EFF) Policy and the EFF Declaration

### EFF Corporations

21. A corporation is exempt from filing a CT23 in a particular taxation year, if it meets all of the following criteria in subsection 75(5):
  - the corporation is a CCPC throughout the taxation year
  - the corporation has filed a federal Income Tax Return (T2) with the Canada Revenue Agency (CRA) for the taxation year
  - the corporation has provided its CRA business number to the MOF
  - the corporation has no Ontario taxable income and no tax payable under the CTA for the taxation year
  - the corporation is not a financial institution or an insurance corporation, and
  - the corporation is NOT subject to the Corporate Minimum Tax (i.e. alone or as part of an associated group whose total assets exceed \$5 million or whose total revenues exceed \$10 million for the taxation year).
22. The following loss situations will require otherwise EFF corporations to file a CT23 tax return complete with all related schedules and financial statements:
  - If a corporation has a loss in the current taxation year that is to be carried back and applied to a previous taxation year(s), regardless of whether the loss is the same as for federal purposes or not, a CT23 tax return is required for the current taxation year. The corporation must also provide information indicating that the loss is to be carried back and specify the year and the amount of loss to be carried back to each taxation year.
  - If a corporation has a prior year loss, that is not the same for both federal and Ontario purposes and the corporation is applying a loss carryforward from the prior year to the current year, a CT23 tax return is required for the current taxation year, and if not previously filed, a CT23 tax return for the prior taxation year in which the loss was incurred is also required. Although a tax return for the loss year is not required where the loss is not being applied, the Corporations Tax Branch will accept the filing of a tax return for a loss year at the time the loss is incurred.
  - If a corporation has a prior year loss, that is the same for both federal and Ontario purposes, but in the current taxation year the corporation is applying a different amount of loss for Ontario than the loss amount being applied for federal income tax purposes, the corporation is required to file a CT23 tax return for the current taxation year only.

### EFF Declarations

23. Effective for taxation years ending on or after January 1, 2000, an Exempt from Filing Corporations Tax Return Declaration form (EFF Declaration) is required to be filed annually with the Corporations Tax Branch. This filing requirement applies for each taxation year of the corporation and ensures that all EFF corporations review their tax status for each taxation year. The EFF Declaration form must be received by the MOF within six months after the end of a corporation's taxation year.
24. An eligible EFF corporation that is required to file an Annual Return will be in compliance with the filing requirements of the CTA and the *Corporations Information Act* if it completes the EFF Declaration and the Annual Return portion of the combined return and delivers them to the MOF, as and when required.
25. A combined form for corporations who are exempt from filing a CT23 Corporations Tax Return is available. This form is called an Annual Return and EFF Declaration.

## Enquiries and Forms

26. For further information on a corporation's filing requirements please contact the Ministry of Finance's Information Centre:

<b>Toll-free calls from within Ontario:</b>	
English language enquiries	1-800-263-7965
French language enquiries	1-800-668-5821
<b>Calls from within metropolitan Toronto (Toronto line)</b>	
English and French enquiries	(416) 920-9048
<b>All other calls</b>	
English and French enquiries	(905) 433-6000
<b>Teletypewriter (TTY)</b>	1-800-263-7776

27. The CT23 Corporations Tax and Annual Return and related Guide, the CT23 Short-Form Corporations Tax and Annual Return and related Guide and the Annual Return and EFF Declaration can be viewed and downloaded from the Ministry's website at:

**[www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)**

28. Other income tax and capital tax forms which are also available include supplementary schedules to calculate:
- deductions from Ontario net income
  - certain tax credits which reduce Ontario income tax payable, and
  - certain components of paid-up capital for purposes of capital tax.

## For More Information

For further information, please contact Returns Processing Centre

### D-FILE

- Toronto (416) 920-9048 ext. 4440
- Oshawa (905) 436-4440
- Toll-free 1-800-262-0784 ext. 4440
- Fax (905) 433-5287

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- Toronto (416) 920-9048 ext. 6700
- Oshawa (905) 433-6700
- Toll-free 1-800-262-0784 ext. 6700
- Fax (905) 433-5287

Hours of Service: 8:30 am to 5:00 pm or visit our Web site at **[www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)**

*Ce guide est disponible en français sous le nom « Déclaration Combinée, Déclaration Abrégée et Politique Relative À La Dispense de Produire Concernant les Corporations n° 4001RF1 ».*

*Vous pouvez en obtenir un exemplaire en appelant le 1-800-263-7965.*