

Courtesy Translation

Revenu Québec requires corporations established in Québec to file forms in French. For this reason, it does not produce an English version of the forms to be enclosed with the corporation income tax return. However, Revenu Québec provides translations of the content of the forms for information purposes.

Calculation of the Income Tax of a Corporation

Form CO-771 is to be used by any corporation except a deposit insurance corporation within the meaning of paragraph (b) of section 804 of the *Taxation Act*, or a savings and credit union that is entitled to the temporary exemption.¹

This form must be enclosed with the *Déclaration de revenus des sociétés* (CO-17).

01a	Québec enterprise number (NEQ)				
01b	Identification number	File	IC	0001	
02	Name of corporation				
05	End-date of fiscal period	Y	M	D	

1 Calculation of adjusted taxable income

10	Taxable income from line 299 of form CO-17	A
11	Portion of the amount on line 10 that is not subject to income tax under Part I of the <i>Taxation Act</i> , under a Québec statute	
12	Subtract line 11 from line 10. Adjusted taxable income	B

2 Calculation of income from an eligible business

13	Net income for income tax purposes, according to financial statements or form CO-17.A.1 (as applicable)	
14	Allowable business investment loss	
14a	Amount for income-averaging for forest producers, on form CO-726.30	
15	Add lines 13, 14 and 14a.	
16	Taxable capital gains minus allowable capital losses, according to schedule CO-17S.232. If the result is negative, enter 0.	
17	*Income (or loss) from a personal services business	
18	Deduction for taxable dividends claimed in the calculation of the corporation's taxable income (provided the dividends are considered income that the corporation derives from a business)	
19	*Deduction entered on line 265 of form CO-17 and related to income from <ul style="list-style-type: none"> • an international financial centre • an investment fund or a business situated in the Montréal international trade zone at Mirabel (MITZM) • a major investment project • a small or medium-sized business (SMB) in a remote resource region • a stock exchange business or a securities clearing-house business • the income-averaging of a forest producer² 	
20	Add lines 16 through 19.	
21	Subtract line 20 from line 15 (if line 20 is negative, add rather than subtract).	C

* This line does not apply to savings and credit unions.

¹ Consult the *Guide de la déclaration de revenus des sociétés* (CO-17.G) for information on the conditions for recognition as a corporation entitled to the temporary exemption.

² This deduction is equal to amount A on form CO-726.30.

Calculation of property income (or loss)

22	Income (or loss) from property (interest, dividends, rents, royalties, etc.), and income from a specified investment business	
23	Income (or loss) included in the amount on line 22 that is incident to or pertains to the eligible business carried on by the corporation	
24	Income (or loss) included in the amount on line 22 that is derived from property used or held principally for the purpose of earning income from the business carried on by the corporation	
25	Income included in the amount on line 22 and derived from property or from a specified investment business, where the income is an amount received or receivable from an associated corporation and is deductible from the associated corporation's income from an eligible business that it carries on.	
25a	Income included in the amount on line 22 for the taxation year, in respect of the corporation's net income stabilization account (NISA) Fund No. 2	
26	Add lines 23 through 25a.	
27	Subtract line 26 from line 22. Property income (or loss)	
27a	Amount C from page 1	
27b	Amount from line 27	
28	Subtract line 27b from line 27a (if line 27b is negative, add rather than subtract). Carry the result to line 420c of form CO-17. Income from an eligible business	D

3 Calculation of taxable income that takes the foreign tax credit into account

29	Adjusted taxable income (amount B)	
30	Amount deducted for the year as a foreign tax credit	
31	Applicable rate	100/16.25
32	Multiply line 30 by line 31.	
33	If the corporation has an establishment outside Québec, enter the percentage from box H of form CO-771.R.3 or CO-771.R.14, as applicable. Otherwise, carry the amount from line 32 to line 34.	%
34	Divide line 32 by line 33.	
35	Subtract line 34 from line 29. If the result is negative, enter 0. Taxable income that takes the foreign tax credit into account	F

4 Calculation of income from an eligible business carried on in Canada

36	Amount C	
37	Income (or loss) from a business carried on outside Canada	
38	Subtract line 37 from line 36.	
39	Income (or loss) from property (interest, dividends, rents, royalties, etc.), and income from a specified investment business	
40	Income (or loss) included in the amount on line 39 that is incident to or pertains to the eligible business carried on by the corporation in Canada	
41	Income (or loss) included in the amount on line 39 that is derived from property used or held principally for the purpose of earning income from the eligible business carried on by the corporation in Canada	
41a	Income included in the amount on line 39 and derived from property or from a specified investment business, where the income is an amount received or receivable from an associated corporation and is deductible from the associated corporation's income from an eligible business that it carries on.	
42	Income included in the amount on line 39 for the taxation year, in respect of the corporation's net income stabilization account (NISA) Fund No. 2	
43	Add lines 40 through 42.	
44	Subtract line 43 from line 39.	
44a	Amount from line 38	
44b	Amount from line 44	
44c	Subtract line 44b from line 44a. If the result is negative, enter 0. Complete form CO-771.2.1.2 if the corporation is claiming the small business deduction and is a member of a partnership carrying on an eligible business in Canada. Otherwise , carry the amount from line 44c to line 45.	
45	Carry the amount to line 420cb of form CO-17. Income from an eligible business carried on in Canada	G

5 Corporation entitled to the temporary exemption

If the **first** taxation year of the above-mentioned corporation (other than a savings and credit union) began **before March 30, 2004**, and, for the taxation year covered by form CO-771, the corporation is entitled to the **five-year** temporary exemption, complete Part 5. Otherwise, go directly to Part 6.

5.1 Calculation of income from an eligible business carried on in Canada

46	Amount G			
47	Portion of the income from			
	<ul style="list-style-type: none"> • an international financial centre • a stock exchange business or a securities clearing-house business that was not deducted in the calculation of taxable income 			
48	Subtract line 47 from line 46. Income from an eligible business carried on in Canada			G.1

5.2 Determination of the amount giving entitlement to the temporary exemption

If the taxation year has 51 weeks or more, enter \$200,000 on line 49. If the taxation year has fewer than 51 weeks, do the calculation below and enter the result on line 49.

49	<u>\$200,000</u>	X	Number of days in the taxation year		H
			365 days		
50	Enter amount F, G.1 or H, whichever is lowest.				

51	<u>Amount from line 50</u>	X	Number of days in the taxation year that fall within the exemption period		
			Number of days in the taxation year		

52	<u>Amount from line 51</u>	X	Number of days in the taxation year that are after June 12, 2003, and fall within the exemption period	X	<u>25%</u>
			Number of days in the taxation year that fall within the exemption period		
53	Subtract line 52 from line 51. Carry amount I to line 420a of form CO-17.				
	Amount giving entitlement to the temporary exemption				
					I

5.3 Determination of the business limit and the amount giving entitlement to the small business deduction

If the taxation year of the corporation ends after December 31, 2005, the corporation may also be entitled to the small business deduction with respect to a portion of its business income. In such a case, complete Part 6 and carry amount L to line 53a. Otherwise, enter 0 on line 53d and go to Part 7.

53a	Amount L			
53b	Amount I			
53c	Subtract line 53b from line 53a Business limit			I.2
53d	Enter amount F, G or I.2, whichever is lowest			
	Amount giving entitlement to the small business deduction			
				I.3

6 Small business deduction

The corporation may be entitled to the small business deduction if it was a Canadian-controlled private corporation (CCPC) throughout the taxation year. In this case, complete this part.

6.1 Determination of paid-up capital

54	<ul style="list-style-type: none"> • Corporation not associated with another corporation Enter on line 54, in the case of <ul style="list-style-type: none"> (a) an insurance corporation, amount B from form CO-1140.A; (b) a bank, savings and credit union, loan corporation, trust corporation or a corporation trading in securities, the amount on line 426 on form CO-17 for the previous taxation year or, for the first taxation year, amount B on form CO-1140.A for the beginning of the taxation year; (c) other corporations, the amount on line 399 on form CO-17 for the previous taxation year or, for the first taxation year or a co-operative, amount D on form CO-1136.CS. • Corporation associated with one or more other corporations Enter on line 54 amount C on form CO-771.1.3 				
55					2
56	If you checked box a or b above, multiply line 54 by 2. Otherwise, carry the amount on line 54 to line 56. Carry amount J to line 426a of form CO-17. Paid-up capital				J

6.2 Determination of the business limit and the amount giving entitlement to the small business deduction

57	If amount J is	<ul style="list-style-type: none"> • \$15 million or over, the corporation is not entitled to the small business deduction. Go to Part 7; • less than \$15 million, complete this part. <ul style="list-style-type: none"> • Corporation not associated with another corporation If amount J is <ul style="list-style-type: none"> • \$10 million or less and the taxation year includes less than 51 weeks, complete Part 6.2.1 and enter amount M; • \$10 million or less and the taxation year includes 51 weeks or more, enter \$400,000; • over \$10 million but less than \$15 million, complete Part 6.2.2 and enter the amount on line 62. • Corporation associated with one or more other corporations 	
	Enter amount D from form CO-771.1.3. Business limit or reduced business limit		K
58	Enter amount F, G or K, whichever is lowest. Amount giving entitlement to the small business deduction		L

6.2.1 Calculation of amount M

59	$\frac{\$400,000}{365 \text{ days}} \times \frac{\text{Number of days in the taxation year covered by this form}}{365 \text{ days}}$		M
	If you must complete Part 6.2.2, carry amount M to line 60. Otherwise, carry it to line 57.		

6.2.2 Calculation of reduced business limit

60	If the corporation's taxation year includes less than 51 weeks, complete Part 6.2.1 and enter amount M. If it includes 51 weeks or more, enter \$400,000.		p
	Amount J		
61	$\frac{\text{Amount J (less than \$15,000,000)} - \$10,000,000}{\$5,000,000} \times \text{Amount P}$		
62	Subtract line 61 from line 60. Carry the result to line 57. Reduced business limit		

7 Calculation of income tax

Complete Part 7.1 if the corporation (other than a savings and credit union) is entitled to the temporary exemption, or Part 7.2 in all other cases.

7.1 Corporation entitled to the temporary exemption

63	Adjusted taxable income (amount B)	16.25%	
64	Amount I	16.25%	
65	Enter amount D or F, whichever is lower.		
66	Amount I	Rate R ³	
67	Subtract line 66 from line 65.		
68	Amount I.3	Rate S ⁴	
69	Add lines 64, 67 and 68.		
70	Subtract line 69 from line 63. Carry the result to line 420d of form CO-17. Income tax		

7.2 Other corporations

71	Adjusted taxable income (amount B)	16.25%	
72	Enter amount D or F, whichever is lower.	Rate R ⁵	
73	Amount L	Rate S ⁶	
74	Add lines 72 and 73.		
75	Subtract line 74 from line 71. Carry the result to line 420d of form CO-17. Income tax		

3 Enter the rate calculated on line 80, column 1, Part 8.
4 Enter the rate calculated on line 80, column 2, Part 8.
5 Enter the rate calculated on line 80, column 1, Part 8.
6 Enter the rate calculated on line 80, column 2, Part 8.

