

## Overview of the Corporation Capital Tax

### *Corporation Capital Tax Act*

This bulletin provides a brief overview of the determination of taxes payable under the *Corporation Capital Tax Act*.

The following information is applicable to general corporations (corporations other than banks, trust companies, and credit unions) with corporate taxation year ends after December 31, 1998. The information is also applicable to banks, trust companies and credit unions with corporate taxation year ends after March 31, 1998.

For corporate taxation year ends on or before December 31, 1998, (March 31, 1998 for banks, trust companies and credit unions), please refer to the relevant legislation.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Corporation Capital Tax Act* and Regulations can be found on the web at [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr)

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#### **GUIDE TO THE CCT RETURN**

The current version (1999 & Later) of the *Guide for Completion of the Corporation Capital Tax General Return* provides detailed instructions on how to complete and file a CCT return. The guide and forms are available at our website:

#### **[Corporation Capital Tax Main Page](#)**

or by contacting the Income Taxation Branch at the address indicated at the end of this Bulletin.

#### **SCOPE**

Corporation Capital Tax (CCT) is levied on corporations that have **permanent establishments** in British Columbia and that have **net paid up capital** (or are part of an associated group of corporations that have net paid up capital) in excess of the threshold amount as shown below.

<b><u>Taxation year</u></b>	<b><u>Threshold amount</u></b>
Ending after December 31, 1998 and on or before December 31, 1999	\$2.5 million
Ending after December 31, 1999 and on or before December 31, 2000	\$3.5 million
Ending after December 31, 2000	\$5.0 million

#### Note:

- Net paid up capital is the exemption threshold for determining eligibility to CCT and is not the tax base on which CCT is levied.
- Net B.C. paid up capital is the tax base for calculating CCT payable and is described in Section V below.

A corporation is associated with another corporation at the end of the first mentioned corporation's taxation year if the corporations were, at any time during that taxation year, associated corporations.

## EXEMPTION FROM TAX

Certain corporations are exempt from CCT and include:

corporations, other than Crown Corporations designated by Regulation, that are exempt from federal income tax pursuant to Subsection 149 (1) or Section 149.1 of the *Income Tax Act (Canada)*;

- the Insurance Corporation of British Columbia;
- insurance companies and extra-provincial insurance corporations as defined in the *Financial Institutions Act*;
- British Columbia Central Credit Union;
- mortgage investment corporations;
- housing cooperatives as defined in section 80 of the *Cooperative Association Act*;
- bankrupt corporations;
- apartment corporations;
- family farm corporations; and,
- co-operative corporations.

## NET PAID UP CAPITAL

For general corporations, excluding non-resident corporations, net paid up capital is the aggregate of a corporation's:

- i. capital stock;
- ii. retained earnings;
- iii. contributed surplus and any other surpluses;
- iv. deferred credits less deferred tax debits;
- v. liabilities (subordinate indebtedness if an investment dealer); and,
- vi. proportionate share of partnership amounts referred to in (iv) and (v) above plus the earnings (losses) accumulated after the corporation acquired an interest in the partnership,

less certain deductions for a corporation's:

- a. deficit;

- b. current accounts payable (not applicable to investment dealers);
- c. deferred exploration costs;
- d. investment allowance (not applicable to investment dealers); and,
- e. proportionate share of partnership amounts referred to in (b) - (d) above, and amounts owing by the partnership to the corporation or to other corporations that have an interest in the partnership.

The calculation of net paid up capital differs for non-resident corporations, banks, trust companies, and credit unions. Section VII discusses the net paid up capital of banks, trust companies and credit unions. Non-resident corporations should refer to the relevant provisions of the legislation.

## TAX BASE – NET B.C. PAID UP CAPITAL

The calculation of net B.C. paid up capital is **net paid up capital** (all corporations) less deductions for:

- net paid up capital attributable to jurisdictions outside of British Columbia in accordance with prescribed rules; and,
- certain amounts relating to eligible expenditures incurred in British Columbia.

For CCT purposes, amounts relevant to the computation of a corporation's net B.C. paid up capital are the amounts reflected in the financial statements of the corporation for the taxation year that have been:

- prepared in accordance with generally accepted accounting principles, other than the equity and consolidation methods of accounting; and,
- presented to the shareholders of the corporation or partners, as the case may be.

If the financial statements have not been prepared in accordance with the above, then the amounts to be used are those amounts that would have been reflected in those financial statements had they been prepared on the above-noted basis.

## BANKS, TRUST COMPANIES AND CREDIT UNIONS

The net paid up capital of a bank, trust company or credit union is the aggregate of:

- capital stock;
- contributed surplus;
- retained earnings; and,
- the proportionate share of any partnership's earnings (losses) accumulated after the bank, trust company or credit union acquired an interest in the partnership,

less deductions, by credit unions only, for investment allowance.

For CCT purposes, the capital stock of credit unions does not include non-equity shares as defined by the *Financial Institutions Act*.

## TAX RATES

CCT is levied at three different rates depending on the size and nature of the business.

For general corporations with net paid up capital greater than the threshold amount plus \$250,000 the tax is levied at 0.3% of net B.C. paid up capital.

Effective April 1, 1998, for banks, trust companies and credit unions with net paid up capital of \$1 billion or less, the tax is levied at 1.0% of net B.C. paid up capital. However, if net paid up capital is greater than \$1 billion, the tax is levied at 3% of net B.C. paid up capital.

Note:

There is a reduced tax for all smaller corporations (net B.C. paid up capital less than the threshold amount plus \$250,000). Please refer to the guide for this calculation.

## NEED MORE INFO?

This bulletin is provided for convenience and guidance.

For further information, please contact:

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Information is also on the web at [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr) While there, you can subscribe to our free electronic update service.