

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.

Compensation Tax for Financial Institutions

This form is for corporations¹ that, at a given time in their taxation year, are financial institutions² and are required to pay compensation tax³.

Complete the part of the form that applies to your corporation:

- banks, loan corporations, trust corporations and corporations trading in securities (Part I)
- insurance corporations (Part II)
- savings and credit unions (Part III)
- professional corporations (Part IV)
- all other corporations (Part VI)

Important

Banks, loan corporations, trust corporations, corporations trading in securities, and savings and credit unions that are also insurance corporations must complete Part V as well.

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

01a	Québec enterprise number (NEQ)				
01b	Identification number	File	1C 0001		
02	Corporation name				
05	End-date of fiscal period	Y	M	D	

I – Banks, loan corporations, trust corporations and corporations trading in securities

10	Paid-up capital, according to line 32b of Part I of form CO-1140		
Deductions from Part I of form CO-1140 that are not allowable:			
12	• deduction for a corporation eligible for the temporary exemption (line 31)		
13	• deduction respecting a major investment project (line 32)		
14	Add lines 10 through 13. Paid-up capital to be used in the calculation of compensation tax		
15	Rate applicable to the paid-up capital	0.25%	
16	Multiply line 14 by the rate on line 15.		
17	Proportion ⁴ of business carried on in Québec, according to form CO-771.R.3	%	
18	Multiply line 16 by line 17.		
If the corporation was a financial institution throughout its taxation year, and the taxation year was at least 359 days long, carry the amount from line 18 to line 22. Otherwise, do the calculations below (lines 19 through 22).			
19	Number of days in the corporation's taxation year subsequent to the corporation's first being deemed a financial institution ⁵		
20	Multiply line 18 by line 19.		
21	Number of days to be considered ⁶ in the corporation's taxation year		
22	Divide line 20 by line 21.		
23	Salaries and wages paid ⁷ by the corporation during the period or periods of the year during which it was deemed to be a financial institution		
24	Rate applicable to the salaries and wages paid	2%	
25	Multiply line 23 by the rate on line 24.		
26	Add lines 22 and 25. If the corporation concerned is also an insurance corporation, carry the result to line 54 and complete Part V; otherwise, carry it to line 436 of the <i>Déclaration de revenus des sociétés</i> (CO-17).		
Compensation tax			

II – Insurance corporations

Premiums with respect to business carried on in Québec in the taxation year or in the period of the taxation year during which the corporation is deemed to be a financial institution, where the corporation is an insurer that owns property in Québec and where the corporation has an establishment in Québec, exercises any of its rights or powers in Québec, or fulfils one of its purposes in Québec.

Note: Since March 31, 2004, a corporation that operates an international financial centre (IFC) must take premiums payable and taxable premiums paid into account in its calculations.

(a) Premiums payable

27	• Insurance of persons and damage insurance	
28	– premiums with respect to property located in Québec, as set forth in a contract with an insurance corporation that is not resident in Canada and does not maintain an office in Canada, on which compensation tax has already been paid	
29	– patronage dividends and other dividends paid or credited to the policyholders with respect to the above-mentioned premiums	
30	Add lines 28 and 29.	
31	Subtract line 30 from line 27.	
32	• Ocean marine insurance	
33	Add lines 31 and 32. Premiums payable ⁸	

(b)		
34	Taxable premiums paid in the taxation year to the corporation or its agent in respect of persons who were resident in Québec at the time of payment	
35	• portion of the taxable premiums (other than taxable premiums paid into the fund of an uninsured employee benefit plan) that corresponds to the payment of an amount constituting income from an office or employment respecting which a contribution determined under certain laws ⁹ is paid	
36	• premiums that, after having been paid to another insurance corporation, are premiums on which tax is payable	
37	Add lines 35 and 36.	
38	Subtract line 37 from line 34. Taxable premiums	
39	Add lines 33 and 38.	
40	Rate applicable to the premiums payable and to the taxable premiums	0.35%
41	Multiply line 39 by the rate on line 40.	
If the corporation was deemed to be a financial institution throughout its taxation year, and the taxation year was at least 359 days long, carry the amount from line 41 to line 45. Otherwise, do the calculations below (lines 42 through 45).		
42	Number of days in the corporation's taxation year subsequent to the corporation's first being deemed a financial institution ¹⁰	
43	Multiply line 41 by line 42.	
44	Number of days to be considered ¹¹ in the corporation's taxation year	
45	Divide line 43 by line 44. Carry the result to line 436 of the <i>Déclaration de revenus des sociétés</i> (CO-17). Compensation tax	

III – Savings and credit unions

46	Salaries and wages paid ¹² by the corporation in the period or periods of the year during which it was deemed to be a financial institution	
47	Rate applicable to the salaries and wages paid	2.5%
48	Multiply line 46 by the rate on line 47.	
If the savings and credit union is deemed to be a financial institution by reason of the election ¹³ that it made, and the value of its supplies of financial services is less than 90% of the value of all its supplies, do the calculation on line 49 and carry the result to line 50. Otherwise, carry the amount from line 48 to line 50.		
49	Amount from line 48	$\times \frac{\text{Value of supplies of financial services}}{\text{Value of all supplies}}$
50	If the savings and credit union is also an insurance corporation, carry the result to line 54 and complete Part V; otherwise, carry it to line 436 of the <i>Déclaration de revenus des sociétés</i> (CO-17). Compensation tax	

IV – Professional corporations

This part must be completed by any professional corporation that insures the professional liability of its members by creating an insurance fund in which its members are required to participate.

51	Premiums to be paid by the members during the taxation year	
52	Rate applicable to the premiums payable	0.35%
53	Multiply line 51 by the rate on line 52. Carry the result to line 436 of the <i>Déclaration de revenus des sociétés</i> (CO-17). Compensation tax	

V – Banks, loan corporations, trust corporations, corporations trading in securities, and savings and credit unions that are also insurance corporations

Note: Since March 31, 2004, a corporation that operates an international financial centre (IFC) must take premiums payable and taxable premiums paid into account in its calculations.

54	Amount from line 26 or 50, as applicable	
55	Taxable premiums paid in the taxation year to the bank, loan corporation, trust corporation, corporation trading in securities or savings and credit union that is also an insurance corporation, or paid to the agent thereof, in respect of persons who were resident in Québec at the time of payment	
56	• portion of the taxable premiums (other than taxable premiums paid into the fund of an uninsured employee benefit plan) that corresponds to the payment of an amount constituting income from an office or employment respecting which a contribution determined under certain laws ¹⁴ is paid	
57	• premiums that, after having been paid to another insurance corporation, are premiums on which tax is payable	
58	Add lines 56 and 57.	
59	Subtract line 58 from line 55.	
60	Rate applicable to the taxable premiums	0.35%
61	Multiply line 59 by the rate on line 60.	
If the corporation was deemed to be a financial institution throughout its taxation year, and the taxation year was at least 359 days long, carry the amount from line 61 to line 65. Otherwise, do the calculations below (lines 62 through 65).		
62	Number of days in the corporation's taxation year subsequent to the corporation's first being deemed a financial institution ¹⁵	
63	Multiply line 61 by line 62.	
64	Number of days to be considered ¹⁶ in the corporation's taxation year	
65	Divide line 63 by line 64.	
66	Add lines 54 and 65. Carry the result to line 436 of the <i>Déclaration de revenus des sociétés</i> (CO-17). Compensation tax	

VI – All other corporations that are financial institutions

This part must be completed by all other corporations that are financial institutions, including corporations that are financial institutions by reason of an election or a deemed election.

67	Salaries and wages paid ¹⁷ by the corporation in the period or periods of the year during which it was deemed to be a financial institution	
68	Rate applicable to the salaries and wages paid	1%
69	Multiply line 67 by the rate on line 68. Compensation tax	
If the corporation is deemed to be a financial institution by reason of the election ¹⁸ that it made, and the value of its supplies of financial services is less than 90% of the value of all its supplies, do the calculation on line 70. Otherwise, carry the amount from line 69 to line 436 of the <i>Déclaration de revenus des sociétés</i> (CO-17).		
70	Amount from line 69	$\times \frac{\text{Value of supplies of financial services}}{\text{Value of all supplies}} = \text{Compensation tax}$
Carry the result from line 70 to line 436 of the <i>Déclaration de revenus des sociétés</i> (CO-17).		

Notes

1. A corporation may be deemed to be a financial institution at any time in its taxation year; it is then deemed to be such throughout the period beginning at that time and ending on the last day of its taxation year. This does not apply to a corporation that is deemed to be a financial institution by reason of an election made pursuant to subsection 150(1) of the *Excise Tax Act* (Statutes of Canada).
2. The term "financial institution" has the meaning assigned by subsection 149(1) of the *Excise Tax Act* and, according to paragraph (a) of that subsection, refers to, *inter alia*,
 - a bank;
 - a corporation that is licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as a trustee;
 - a credit union;
 - an insurer or any other person whose principal business is providing insurance under insurance policies;
 - a segregated fund of an insurer;
 - a person whose principal business is the lending of money or the purchasing of debt securities or a combination thereof;
 - an investment plan;
 - a person providing the services referred to in section 158 of the *Excise Tax Act*, that is, a discounter within the meaning of the *Tax Rebate Discounting Act* (Statutes of Canada);

- a corporation deemed to be a financial institution, pursuant to section 151 of the *Excise Tax Act*; or
 - a person whose principal business is as a trader or dealer in financial instruments or as a broker or salesperson of financial instruments.
3. The compensation tax exemption for a financial institution that operates an international financial centre (IFC) was eliminated on March 30, 2004.
 4. Where a financial institution is a bank, loan corporation, trust corporation or corporation trading in securities and has an establishment located outside Québec, the portion of compensation tax payable by the corporation and determined on the basis of its paid-up capital is equal to the taxable portion of the paid-up capital calculated on the basis of the proportion of business carried on in Québec in relation to the proportion of business carried on both in Québec and elsewhere (the proportion is calculated on form CO-771.R.3, *Répartition des affaires faites au Québec et ailleurs*).
 5. Regardless of when in its taxation year a corporation is deemed to be a financial institution, it is deemed to be such until the last day of its taxation year.
 6. Where the taxation year of the bank or corporation is **shorter than 359 days**, enter **365** on this line, regardless of whether the bank or corporation was deemed to be a financial institution **throughout** its taxation year or during a **part** of its taxation year only.

However, where the taxation year is **more than 359** days long, and the bank or corporation was deemed to be a financial institution during a **part** of its taxation year only, enter the number of days in its taxation year.

7. "Salaries and wages paid" means the salaries and wages paid by a financial institution after June 30, 1992, or the salaries and wages deemed to have been paid by a financial institution after that date under the second paragraph of sections 979.3 and 1019.7, respectively, of the *Taxation Act*, to its employees who report for work at the financial institution's establishment in Québec. Such salaries and wages also include those paid to employees who are not required to report for work at an establishment of the financial institution, but who are paid by such an establishment located in Québec. Salaries and wages paid since March 31, 2004, as part of the operation of an IFC must be included on this line.
8. The amount of premiums payable must not take the provisions of section 1170.1 of the *Taxation Act* into account.
9. The *Act respecting industrial accidents and occupational diseases* (R.S.Q., c. A-3.001), the *Act respecting the Régie de l'assurance maladie du Québec* (R.S.Q., c. R-5), or the *Act respecting the Québec Pension Plan* (R.S.Q., c. R-9).
10. See note 5.
11. See note 6.
12. Salaries and wages paid since March 31, 2004, as part of the operation of an IFC must be included on this line.
13. This is an election that the savings and credit union can make under subsection 150(6) of the *Excise Tax Act* (Statutes of Canada).
14. See note 9.
15. See note 5.
16. See note 6.
17. See note 12.
18. This is an election that the corporation can make under subsection 150(1) of the *Excise Tax Act* (Statutes of Canada).