



Information Bulletin

CCT-5 Issued: April 6, 2006

The Corporation Capital Tax Act

Tax Rate Reduction for General Corporations

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As a result of the April 6, 2006 Saskatchewan Budget, the Corporation Capital Tax rate used by corporations to calculate their Corporation Capital Tax payable will be reduced effective July 1, 2006 and completely eliminated on July 1, 2008. The rate reduction does not apply to Crown corporations or financial institutions.

The revised rates will be as follows:

- Effective July 1, 2006, the rate will be reduced from the current 0.6% to 0.3%;
- Effective July 1, 2007, the rate will be reduced from 0.3% to 0.15%; and,
- Effective July 1, 2008, the rate will be reduced to 0.0%.

The Corporation Capital Tax payable must be determined using the applicable rate for the appropriate period. For example, a corporation with a January 1, 2006 to December 31, 2006 fiscal year end will calculate tax payable for six months based on the 0.6% rate and six months on the 0.3% rate.

Installment payments may be adjusted taking into account the reduced rates for the appropriate periods.

Transitional Credit on New Capital Investment in Saskatchewan

New capital invested by a corporation in Saskatchewan after June 30, 2006 and before July 1, 2008 will be eligible for a non-refundable tax credit applied against a corporation's Corporation Capital Tax liability. The tax credit will be limited to the amount of the Corporation Capital Tax liability of the corporation.

New capital is "depreciable property" as defined in subsection 13(21) of the *Income Tax Act* (Canada). The depreciable property must be located and used for business operations in Saskatchewan.

The intra-corporate transfer of existing depreciable property from another jurisdiction to Saskatchewan, the transfer of depreciable property from a non-arm's length party and the amalgamation or winding-up of a wholly owned subsidiary corporation does not qualify for the credit. However, the acquisition of depreciable assets through an arm's length transaction does qualify for the credit.

For example, a corporation with a December 31, 2006 fiscal year end, taxable paid-up capital of \$25 million, an allocation to Saskatchewan of 50% and depreciable property additions located in Saskatchewan of \$5 million made after July 1, 2006 will calculate tax payable as follows:

\$25 million x 50% x 0.6% x 181/365 =	\$37,192
\$25 million x 50% x 0.3% x 184/365 =	\$18,904
Less depreciable property additions:	
\$5 million x 0.6% x 181/365 =	(\$14,877)
\$5 million x 0.3% x 184/365 =	<u>(\$7,562)</u>
Total Corporation Capital Tax Payable	<u>\$33,657</u>

Financial Institutions

Financial institutions will continue to pay tax on capital at the current rate of 3.25%. The rate for small financial institutions with taxable paid-up capital less than \$1 billion remains at 0.7%.

For Further Information

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