



Information Bulletin

CT-4

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THE CORPORATION CAPITAL TAX ACT

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READER SURVEY

CORPORATION CAPITAL TAX INSTALMENTS

This bulletin has been prepared to help corporations understand their Corporation Capital Tax instalment requirements. It is a general guide and not a substitute for the legislation.

The changes to this bulletin are indicated by a (I).

The contents of this bulletin are presented under the following sections:

- A. Instalment Requirements
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- G. Interest on Unpaid Tax
- H. Interest on Overpayments
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- J. Saskatchewan Electronic Tax Service (SETS)

A. INSTALMENT REQUIREMENTS

Corporations that are liable to pay tax are required to pay a monthly instalment payment on or before the last day of each month during their fiscal year. Examples of the calculation of monthly instalments are provided in the attached Exhibit.

If the monthly instalment payment amounts to \$400 or less, the corporation may, instead of paying a monthly instalment payment, pay the entire tax for the fiscal year at the time the corporation's Capital Tax return is filed. The return is due within six months after the fiscal year end.

B. GENERAL RULES

A corporation, other than a resource corporation that is liable for the Corporation Capital Tax Resource Surcharge, may calculate its monthly instalment payments based on either:

- (1) 1/12 of the tax payable for the current fiscal year; or

- (2) for the first three months, 1/12 of the tax payable for the fiscal year prior to the last fiscal year, and for the next nine months, 1/9 of the difference between the tax payable for the last fiscal year and the amount paid for the first three months.

C. RESOURCE CORPORATIONS LIABLE FOR THE RESOURCE SURCHARGE

A resource corporation that is liable for the Corporation Capital Tax Resource Surcharge in the fiscal year may calculate its monthly instalment payments based on either:

- (1) 1/12 of the tax payable for the current fiscal year; or
- (2) 1/12 of the amount determined when the value of resource sales for the previous fiscal year is multiplied by 3.6%.

In situations where a resource corporation was not liable for the resource surcharge in the previous fiscal year, the corporation should remit monthly instalments based on its tax payable for the current year referred to in option 1. In these situations, interest will not be charged if the monthly instalments are at least 75% of the tax payable for the year (1/12 each month of 75% of the total tax payable).

D. FIRST YEAR A CORPORATION BECOMES TAXABLE

In the first year a corporation becomes liable for tax, the corporation will be required to remit equal monthly instalments based on its estimate of the tax payable for the fiscal year. Interest charges will not be levied if instalment payments are at least 75% of the tax payable for the fiscal year (1/12 each month of 75% of the total tax payable).

E. SHORT FISCAL YEARS/PARTIAL YEAR FOR RESOURCE SURCHARGE

Where instalments are based on a prior short year, the tax payable figure used for that year must be increased to reflect the amount that would have been payable for a full year. Conversely, where the current fiscal year is less than 12 months, the tax payable figure for the prior years should be reduced to reflect the number of days in the current year. The number of instalments required will be dependent upon the number of months in the fiscal year. For example, for a fiscal year from January 1, 2002 to May 15, 2002, five monthly instalment payments will be required based on the tax payable for the previous years prorated for 135 days.

F. BALANCE OF TAX DUE/RETURN DUE DATE

The balance of tax due must be paid within six months after the end of the fiscal year. The Corporation Capital Tax return is also due at this time.

G. INTEREST ON UNPAID TAX

A corporation will not be charged interest if it remits instalments by the due date based on either of the prescribed methods. However, interest is charged on deficient or late instalments and also on any balance of tax due if it has not been paid within six months after the fiscal year end.

H. INTEREST ON OVERPAYMENTS

Credit interest will be paid on an overpayment of tax from the later of the date the overpayment arose or the date the balance of the tax is required to be paid (six months after the fiscal year). Interest will be paid up to and including the date of the assessment or re-assessment.

I. INTEREST RATES

Interest is charged at the prime lending rate plus three percentage points on deficient instalments and on any balance of tax that is not paid by the due date. Credit interest is calculated on overpayments at the prime lending rate.

The interest rates are determined on June 15 and December 15 in each year and are in effect for a six month period commencing at the beginning of July and January.

J. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Finance has made it possible for corporations to report and remit Corporation Capital Tax (CCT) instalment payments electronically through the use of a standard Internet connection. The Saskatchewan Electronic Tax Service (SETS) offers a secure, fast, easy and convenient alternative to filing instalments in a paper format.

Several E-File services are currently available through SETS, such as:

- File and pay Corporation Capital Tax instalment payments.
- File an instalment return and post-date the payment to the due date.
- View account balances for each fiscal year end.
- Authorize your accountant to file on your behalf.

Businesses may use SETS to file and pay returns for Provincial Sales Tax and other provincial taxes.

FOR FURTHER INFORMATION

Write: Saskatchewan Finance
Revenue Division
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-7689

E-mail: sask.tax.info@finance.gov.sk.ca

Fax: 306-787-0241

Information bulletins and publications are available on the Internet at:
www.gov.sk.ca/finance

EXHIBIT

EXAMPLES OF DETERMINING INSTALMENT BASES AND MONTHLY INSTALMENT REQUIREMENTS

Example 1 - Complete Fiscal Years

| | <u>Fiscal Year January 1, 2003 to December 31, 2003</u> | <u>Fiscal Year January 1, 2002 to December 31, 2002</u> | <u>Fiscal Year January 1, 2001 to December 31, 2001</u> |
|----------------------|---|---|---|
| Days in Fiscal Year | 365 | 365 | 365 |
| Actual Tax Liability | \$48,000 | \$36,000 | \$12,000 |

Option 1: Calculation based on current year tax payable

$$\frac{\$48,000}{12} = \$4,000/\text{month}$$

Option 2: Calculation based on previous two fiscal years

For first 3 months, $\frac{\$12,000}{12} = \$1,000/\text{month}$ (Second Instalment Base)
monthly instalment is

For next nine months, $\frac{\$36,000 - 3(\$1,000)}{9} = \$3,667/\text{month}$ (First Instalment Base)
monthly instalment is

Example 2 - Short Fiscal Years

| | <u>Fiscal Year January 1, 2003 to May 31, 2003</u> | <u>Fiscal Year January 1, 2002 to December 31, 2002</u> | <u>Fiscal Year October 1, 2001 to December 31, 2001</u> |
|----------------------|--|---|---|
| Days in Fiscal Year | 151 | 365 | 92 |
| Actual Tax Liability | \$60,000 | \$40,000 | \$5,000 |

Option 1: Calculation based on current year tax payable

$$\frac{\$60,000}{5} = \$12,000/\text{month}$$

Option 2: Calculation based on previous two fiscal years

$$\begin{aligned} &\text{Tax for October 1, 2001 to December 31, 2001 considering a full year} \\ &\quad \$5,000 \times \frac{365}{92} = \$19,836 \end{aligned}$$

$$\begin{aligned} &\text{Tax for October 1, 2001 to December 31, 2001 considering a full year and the number of} \\ &\text{days in the current year} \\ &\quad \$19,836 \times \frac{151}{365} = \$8,206 \end{aligned}$$

$$\begin{aligned} &\text{For first 3 months, monthly instalment is} \\ &\quad \frac{\$8,206}{5} = \$1,641/\text{month (Second Instalment Base)} \end{aligned}$$

$$\begin{aligned} &\text{Tax for January 1, 2002 to December 31, 2002 considering the number of days in the} \\ &\text{current year} \\ &\quad \$40,000 \times \frac{151}{365} = \$16,548 \end{aligned}$$

$$\begin{aligned} &\text{For next 2 months, monthly instalment is} \\ &\quad \frac{\$16,548 - 3(\$1,641)}{2} = \$5,812/\text{month (First Instalment Base)} \end{aligned}$$

Example 3 - Resource Corporation Liable for the Resource Surcharge

| | <u>Fiscal Year</u> | <u>Tax Payable</u> |
|-----------------------|---|--------------------|
| Current Fiscal Year | January 1, 2003 to December 31, 2003 | \$24,000 |
| Preceding Fiscal Year | January 1, 2002 to December 31, 2002 | \$21,600 |

Value of resource sales from January 1, 2002 to December 31, 2002 = \$600,000

$$\begin{aligned} \text{Option 1: Calculation based on current year tax payable} \\ &\quad \frac{\$24,000}{12} = \$2,000/\text{month} \end{aligned}$$

Option 2: Calculation based on value of resource sales from January 1, 2002 to December 31, 2002 multiplied by 3.6%

$$\$600,000 \times 3.6\% = \$21,600$$

$$\begin{aligned} &\text{For 12 months, monthly instalment is} \\ &\quad \frac{\$21,600}{12} = \$1,800/\text{month} \end{aligned}$$