



Guide to the 2004-2005 CT23 Short-Form Corporations Tax and Annual Return



**An Information
Guide including
2004 Ontario
Budget items
and other
legislative
amendments.**

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General Information

Corporations Tax Enquires

The **Canada Revenue Agency (CRA)** administers the *Ontario Corporations Tax Act* and the *Corporations Information Act* Annual Return.

Please have the following account numbers available:

- Ontario Corporations Tax Account Number (MOF)
- Ontario Corporation Number (MGS)
- Canada Revenue Agency Business Number (CRA)

For Ontario corporate tax enquiries, please contact the CRA at:

English 1-800-959-5525
French 1-800-959-7775
Teletypewriter (TTY) 1-800-665-0354
Website

For Charities enquiries including the Annual Information Return, please contact the CRA at:

English 1-800-267-2384
French 1-800-892-5667
Teletypewriter (TTY) 1-800-665-0354
Website

Forms and Publications

All forms and publications can be obtained by contacting the **Ministry of Finance** at:

Toll free 1-866-ONT-TAXS (1-866-668-8297)
Teletypewriter (TTY) 1-800-263-7776
Website

Ministry of Finance Hours of Service

Monday to Friday 8:30 am to 5:00 pm

Returns and Payments

CT23 returns and payments can be mailed to the **Ministry of Finance** at the following address:

Ministry of Finance
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Overview

Format for 2004-2005 Return

This Short-Form return may be used by certain smaller corporations that have a taxation year ending on or after January 1, 2000 (refer to eligibility criteria for using this return on page 5 of this guide). In addition, to streamline the collection of corporate information, corporations are able to file a combined CT23 Short-Form Corporations Tax and Annual Return for the 2000 and subsequent taxation years. The CT23 Short-Form Corporations Tax Return collects the information required by the *Corporations Tax Act*. The Annual Return collects information required by the Ministry of Government Services (MGS) under the authority of the *Corporations Information Act*. For information on the Annual Return, please refer to pages 13 to 16 of this guide.

This guide is to be used to complete the 2004-2005 CT23 Short-Form Corporations Tax and Annual Return.

Acronyms used in this guide are as follows:

- CT23 refers to the CT23 Short-Form Corporations Tax Return.
- Annual Return refers to the MGS Annual Return.
- CT23 and Annual Return refers to the combined CT23 Short-Form Corporations Tax and Annual Return.
- References to the *Corporations Tax Act* are noted as - s.5 (meaning refer to section 5).
- References to the Ontario Ministry of Finance Information Bulletins or Interpretation Bulletins are noted - Inf.B. 4003 or Int.B. 3004. Copies of these bulletins may be obtained by calling the ministry at the numbers shown on page 3 or by visiting our website at ontario.ca/finance.
- References to the federal *Income Tax Act*, Canada are noted as fed.

CT23 and Short-Form Annual Return Format

The CT23 Short-Form Corporations Tax and Annual Return consists of 8 pages, including 2 pages of schedules relating solely to the MGS Annual Return (MGS Schedules A and K).

The *Corporations Tax Act*

This guide is provided for convenience only. For legislative accuracy, refer to the *Corporations Tax Act*, R.S.O. 1990, Chapter 40, as amended (the Act). Failure to comply with the provisions of the Act may result in loss of your Ontario Charter and dissolution and forfeiture of the corporation's property to the Crown.

Highlights of the 2004 Ontario Budget and other Legislative Amendments

The budget proposed a new Apprenticeship Training Tax Credit (ATTC) to encourage the hiring of apprentices in certain skilled trades. Corporations would be eligible for a 25% or 30% refundable tax credit on eligible expenditures with respect to eligible apprentices. The Co-operative Education Tax Credit (CETC) would continue to be available for qualifying co-op placements.

The budget also proposed to parallel some of the income tax measures from the March 23, 2004 federal budget as they apply to corporations and their effective dates. These measures include:

- the extension of the business loss carry-forward period from 7 to 10 years;
- the capital cost allowance changes to allow faster write-offs on computer and data network infrastructure equipment;
- the limits on the deductibility of fines and penalties, patronage dividends and unused charitable donations; and
- the amendments to the general anti-avoidance rule and the affiliated persons rules.

Highlights of the 2001 and 2002 Ontario Budget, Bill 2 and other Legislative Amendments

Effective January 1, 2004:

- the general corporate income tax rate was increased to 14%;
- the Incentive Deduction for Small Business Corporations was increased to 8.5%, thereby maintaining the small business tax rate at 5.5%; and
- the business income limit was increased to \$400,000.

The above legislative amendments were introduced in Bill 2 which received Royal Assent on December 18, 2003.

Other Initiatives

- The deadline for acquiring an eligible school bus under the Ontario School Bus Safety Tax Incentive program has been extended to buses acquired before January 1, 2006.
- Corporations can pay quarterly instalments if their tax payable in the current or preceding year is greater than or equal to \$2,000 and less than \$10,000. Applicable for taxation years commencing in 2002.

- For taxation years ending after 2000, corporations filing the CT23 Corporations Tax Return will no longer be required to file a copy of their federal T2 return and related schedules, provided the federal documents have been filed with the Canada Revenue Agency (CRA).
- Corporate income and capital tax Information and Interpretation Bulletins have been revised to remove obsolete information and update statutory references and are now available on the internet. Visit our website at ontario.ca/finance.

Do you have to file an Ontario Corporations Tax Return?

Exempt from Filing (EFF)

You may be exempt from filing a CT23 for the current taxation year, if your corporation meets **all** of the criteria listed below:

- files a federal income tax return (T2) with Canada Revenue Agency;
- has no Ontario taxable income;
- has no Ontario Corporations Tax payable;
- is a Canadian-controlled private corporation (CCPC) throughout the taxation year (i.e., generally, a private corporation with 50% or more shares owned by Canadian residents as defined in subsection 125(7) of the *Income Tax Act*, (Canada));
- has provided its Canada Revenue Agency Business Number to the Ontario Ministry of Finance; **and**
- is not subject to the Corporate Minimum Tax (i.e., alone or as part of an associated group whose total assets exceed \$5 million or whose total revenues exceed \$10 million).

Corporations are required to file an EFF Corporations Tax Return declaration form for every taxation year for which the status is claimed (effective for taxation years ending on or after January 1, 2000).

Corporations who are claiming EFF status may still be required by the Ministry of Government Services to file an Annual Return; please refer to page 13 of this guide.

Financial Institutions (banks, credit unions, mortgage investment corporations, registered securities dealers, bank mortgage subsidiaries, loan and trust corporations and trustees to the public) and insurance corporations, **do not** qualify for the exemption from filing a CT23 for a taxation year.

Note: The following loss situations will require the otherwise EFF corporations to file a CT3 tax return complete with all related schedules and financial statements:

- If a corporation has a loss in the current taxation year that is to be carried back and applied to a previous taxation year(s), regardless of whether the loss is the same as for federal purposes or not, a CT23 tax return is required for current taxation year. The corporation must also provide information indicating that the loss is to be carried back and specify the year and the amount of loss to be carried back to each taxation year.
- If a corporation has a prior year loss, that is not the same for both federal and Ontario purposes and the corporation is applying a loss carryforward from the prior year to the current year, a CT23 tax return for the prior taxation year in which the loss was incurred is also required. Although a tax return for the loss year is not required where the loss is not being applied, the ministry will accept the filing of a tax return for a loss year at the time the loss incurred.
- If a corporation has a prior year loss that is the same for both federal and Ontario purposes, but in the current taxation year the corporation is applying a different amount of loss for Ontario than the loss amount being applied for federal income tax purposes, the corporation is required to file a CT23 tax return for the current taxation year only.

A CT23 for an EFF period may be required, if requested by the Ministry of Finance.

Ontario Corporations Tax Account No. (MOF)

In order to file a CT23 or an EFF declaration you will require an Ontario Corporations Tax Account No. (MOF). This account number will be assigned to you shortly after you register with the Ministry of Government Services (MGS). If you have already registered with MGS and are still unaware of your Ontario Corporations Tax Account No. (MOF), please contact the Canada Revenue Agency (see page 3).

Can You File a CT23 Short-Form Corporations Tax and Annual Return?

A corporation may file a CT23 Short-Form Corporations Tax and Annual Return if it meets **all** of the following criteria:

- The corporation is a Canadian-controlled private corporation (CCPC) throughout the taxation year.
- The corporation has a permanent establishment only in Ontario.
- The corporation is not a financial institution.

- The corporation's taxation year ends on or after January 1, 2001, its gross revenue and total assets are each \$1,500,000 or less; OR the corporation's taxation year commences after September 30, 2001, its gross revenue and total assets are each \$3,000,000 or less.
- The corporation's taxable income for the taxation year is \$200,000 or less. For a taxation year with less than 51 weeks, taxable income must be grossed-up. The gross-up equals the corporation's taxable income multiplied by 365 days and divided by the number of days in its taxation year.
- The corporation is not a member of a partnership/ joint venture or a member of an associated group of corporations during the taxation year.
- The only tax credits the corporation is claiming are the Incentive Deduction for Small Business Corporations (IDSBC), the Co-operative Education Tax Credit (CETC), the Graduate Transitions Tax Credit (GTTC), or the Apprenticeship Training Tax Credit (ATTC).
- A Family Farm or Fishing Corporation which is not subject to the Corporate Minimum Tax (CMT) may also use the CT23 Short-Form Corporations Tax and Annual Return for a taxation year ending on or after January 1, 2000, if it meets all of the above criteria excluding the total asset and gross revenue test.

The CT23 Short-Form Corporations Tax and Annual Return and related guide may be obtained by contacting the ministry, at the address shown on page 3, or by visiting our website at ontario.ca/finance.

Serving You

For corporate tax enquiries, contact the Canada Revenue Agency at the numbers listed on page 3 of this guide.

Anyone wishing to electronically view or purchase Government of Ontario Publications, including Ontario Statutes and Regulations such as the *Corporations Tax Act*, *Business Corporations Act* or *Corporations Information Act* may do so by visiting our website ontario.ca/finance.

What if you need help to complete this return?

If you need more help after reading this guide, please contact the Canada Revenue Agency at the numbers listed on page 3 of this guide.

Authorizing a representative

You can authorize a representative to obtain information on your tax matters by sending, or including with your return, a letter on your corporate letterhead indicating the individual or organization that you authorize to represent your interests. This letter must be signed by an authorized signing officer of the company.

Filing Your CT23 and Annual Return

Who must file?

Generally, every corporation carrying on a business in Ontario through a permanent establishment (as defined in s.4) **other than corporations exempt from filing** (as outlined on page 5 of this guide) must submit a Regular or Short-Form CT23 Corporations Tax and Annual Return signed by an officer of the corporation. For specific information on who must file an Annual Return please see page 13 of this guide.

How can you file?

The following methods are available to file a CT23 and Annual Return:

- Complete and submit the pre-printed paper return received with this guide;
- Submit a plain paper return produced with certified computer software purchased from any one of many companies available from certified vendors;
- Submit a return on diskette (DFILE) produced with certified software available from certified vendors.

Inf.B. 4003RI provides the filing requirements for diskette (DFILE) and paper filing of the CT23. Copies of this bulletin may be obtained by calling the ministry at the numbers shown on page 3 or by visiting our website at ontario.ca/finance.

Your corporation's CT23 and Annual Return will be imaged. Please ensure that the document is neat, legible and suitable for imaging. Please type or print all information in block capital letters using dark ink.

Previous versions of the CT23 including ministry preprinted and computer generated returns, may not be used by corporations required to file a CT23 and Annual Return for the 2000 and subsequent taxation years. Please ensure that any software used is Y2K compliant.

When must you file?

A completed CT23, Annual Return (if applicable) and supporting documents must be received within **6 months** after the end of the corporation's taxation year. The Minister considers the CT23 delivered on the date it is received by the Ministry of Finance.

What are the penalties if you file your CT23 return late and have not made sufficient payments for the year?

Rules for Calculating Penalty

The following penalties may be imposed for filing incomplete or late CT23s that are required to be filed on or after December 18, 1998. A taxpayer having 1 late filed CT23 may be subject to a penalty of 5% of the deficiency in the tax account for the taxation year, plus an additional 1% for each full month that the CT23 is late, to a maximum of 12 months. A taxpayer having 2 late filed CT23s within 4 taxation years may be subject to a penalty on the latter return of 10% plus 2% for each full month that the CT23 is late to a maximum of 20 months.

For additional details on these penalties, refer to [Inf.B. 4004R](#) Penalties and Fines.

When will we pay or charge interest?

Calculating Daily Compound Interest ([Inf.B. 4010](#))

Notice of (Re)Assessment

- 1. Debit Interest**, at the rate provided in the Regulations, is calculated and charged daily for every day that there is a deficiency in your account (includes unpaid taxes, interest, penalties and other unpaid amounts). A corporation's account is divided for interest purposes, by period of time, into an instalment account for the instalment period and a tax account for the period after the instalment period. The instalment period is the period from the first day of your taxation year to the day before the balance of tax due date or the day before the most recent (re) assessment for the taxation year, whichever is earlier.
- 2. Instalment credit interest**, at the rate provided in the Regulations, is calculated daily for each day that there is a surplus in your instalment account, from the last day of the first month in the instalment period to the end of the instalment period.
- 3. Credit interest on overpayments**, at the rate provided in the Regulations, is calculated and allowed daily for each day there is a surplus in your tax account after the end of your instalment period for the taxation year. If a return is not filed on time, no credit interest will be allowed for the period from the day your return was required to be filed to the day after your return is filed.

Application of Payments

Any amount paid, applied or credited (on or after August 1, 1995) in respect of amounts payable, will be applied first, against any tax owing, second, against any penalty owing, third, against any interest owing, and fourth, against any other amounts owing by the corporation.

Revised Instalments

Instalment debit and credit interest will be re-calculated to reflect revised instalments resulting from the reassessment of the tax payable on which the instalments are based, except in the case of loss carry-backs.

Effects of Loss Carry-backs

Loss carry-backs for losses incurred in taxation years that end on or after August 1, 1995, do not affect the calculation of interest for the instalment account, the tax account or for the purposes of determining the amount of the late-filing penalty (if the CT23 due date is on or after August 1, 1995), until the date that is the later of the following:

1. The first day of the taxation year after the loss year;
2. The day on which the corporation's CT23 for the loss year is delivered to the Minister; or
3. The day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.

Interest off-set

Debit and credit interest is netted for a particular taxation year. Netting between different taxation periods is not permitted.

What should you include with your CT23?

Paper returns and D-Filed returns

The ministry prefers corporations to file the financial statements prepared for the shareholders of a corporation (Refer to [Inf.B. 4002R](#)). However, the ministry will normally accept a hard copy of the GIFI.

Where the GIFI is filed, the ministry may request financial statements in the form specified by the legislation (see paragraphs 2 and 3 of [Inf.B. 4002R](#)) where the GIFI is incomplete, inaccurate, or does not provide sufficient information to verify the corporation's tax liability under the Act.

Elections for Rollovers

The transferor and transferee corporations in a rollover are required to file a joint Ontario election made under sections 29.1 and 31.1 of the Act. These elections are the Ontario counterparts to federal elections made under subsections 85(1), 85(2) and 97(2) of the *Income Tax Act* (Canada). Corporations should use a hard copy of federal form [T2057](#), [T2058](#) or [T2059](#) as appropriate, altered as necessary for Ontario purposes.

Corporations are recommended to file their Ontario election form with their CT23. However, under the Act, corporations are allowed to file their Ontario election by the latest date that a federal tax return must be filed by any party to the election. This date may be subsequent to the due date for the CT23.

Transferor and transferee corporations must file a copy of their federal election form [T2057](#), [T2058](#) or [T2059](#) with their CT23, where the transferor and the transferee are either a corporation or a partnership with at least one corporate partner.

Corporations that elect under section 85 of the *Income Tax Act* (Canada) to transfer assets to or from a Non-arm's length corporation with a permanent establishment in a Canadian jurisdiction other than Ontario, must file additional information. See Tax Legislation Bulletin 96-3 Inter-Provincial Asset Transfers for details. The bulletin is available by calling the ministry at the numbers shown on page 3 of this guide.

Send your tax payment(s) (payable to the Minister of Finance) and completed CT23 by the appropriate due dates to:

**Ministry of Finance
33 King Street West
PO Box 620
Oshawa ON L1H 8E9**

For information on what should be included with your Annual Return, please see page 13 of this guide.

After You File

What happens to your CT23 after we receive it?

When we receive your CT23, we review it based on the information you provided and send you a Notice of Assessment based on that review.

In some cases, your CT23 may be selected for a more detailed review and additional information may be requested.

Tax Payments

Corporations may make tax payments using any of the following methods:

- At any financial institution in Ontario where the corporation maintains an account.
- By mail or delivery to any Ministry of Finance tax office.
- Electronically, using a financial institution's Internet Banking Service. Internet Banking, where offered, is an on-line tax payment service available 24 hours a day, seven days a week, whereby a corporation can remit tax payments through its financial institution's website.

Is the payment of instalments always required?

No. Instalments are not required in the first year of filing or when taxes payable for either the current or previous taxation year are less than \$2,000. All taxes must be paid on or before the balance of tax due date (refer to Balance of Tax).

The 2001 budget introduced quarterly instalments. Tax must be paid by quarterly instalments (every three months), if your tax payable for the current year or preceding year is equal to or greater than \$2,000 and less than \$10,000. This applies to taxation years commencing in 2002. The measure received legislative authority through Bill 127 which received Royal Assent on December 5, 2001.

Quarterly instalments should be calculated according to one of the following methods:

- $\frac{1}{4}$ of the tax payable for the current taxation year; or
- $\frac{1}{4}$ of the tax payable in the previous taxation year; or
- for the first quarter of the taxation year, of the tax payable two years ago; and for the next three quarters, $\frac{1}{3}$ of the difference between last year's tax payable and the instalment paid for the first quarter.

Tax must be paid by monthly instalments, if your tax payable for the current taxation year and for the previous taxation year are each \$10,000 or more.

Each instalment, usually due on the last day of the month, should be calculated according to one of the following methods:

- $\frac{1}{12}$ of the tax payable for the current taxation year;
or
- $\frac{1}{12}$ of the tax payable in the previous taxation year;
or
- for the first two months, $\frac{1}{12}$ th of the tax payable two years ago; and for the next ten months, $\frac{1}{10}$ th of the difference between last year's tax payable and the amount paid for the first two months.

Where instalment calculations are based on a prior short taxation year, the tax payable figure used for that year must be grossed-up to reflect the amount that would have been payable for a full year.

A corporation that is the successor corporation of amalgamated corporations must use the total predecessor corporations' tax liability in the computation of instalments.

Balance of Tax

The difference between the current year tax liability and the amounts paid by instalments represents the balance of tax due.

The balance of tax due must be paid within three months after the end of your taxation year if your corporation was a Canadian-controlled private corporation throughout the taxation year and had taxable income of not more than the corporation's business limit for Ontario purposes for the previous taxation year. For additional information regarding changes to the business limit for Ontario purposes, refer to page 13 of the 2004-2005 CT23 guide (long version).

If the previous taxation year was less than 51 weeks, the corporation's business limit for Ontario purposes must be prorated (i.e., $\$280,000 \times \frac{\text{number of days in taxation year}}{365}$). The taxable income must not be more than this prorated limit.

For Accounts or Payment enquiries, please call the Canada Revenue Agency at the numbers listed on page 3 of this guide.

Voluntary Disclosure

It is the policy of the Ontario Ministry of Finance that any corporation or individual, who voluntarily discloses a violation of a statute administered by the Ministry of Finance, be allowed to settle any related debt by making full payment including interest.

If this condition is met, and subject to the comments in the paragraph below, the ministry will not prosecute or impose civil penalties for gross negligence, willful evasion or late-filing. The identity of an individual or corporation making a voluntary disclosure will be held in strict confidence as are all matters between the ministry and its clients.

The late filing penalty is not waived for a current tax return, i.e., a return that is not more than one year past due. However, a current tax return may be accepted if the disclosure is not initiated simply to avoid a penalty.

For more information on voluntary disclosure, please call the Canada Revenue Agency at the numbers listed on page 3.

Identification (Page 1)

Page 1 is a common page to both the CT23 and the Annual Return. **In order to avoid delays in the processing of the returns, it is essential that page 1 of the return contain all of the following:**

- Answer to the question: MGS Annual Return Required? (see page 13 of this guide for further information)
- Registered/Head Office Address
- Corporation's Legal Name and Mailing Address
- Ontario Corporations Tax Account No. (MOF)
- Taxation Year Start Date
- Taxation Year End Date
- Answer to the question: Has the mailing address changed since last filed CT23 Return? If yes, please indicate the date of change.
- Date of Corporation's Incorporation or Amalgamation
- Ontario Corporation No. (MGS refer to the articles of incorporation)
- Canada Revenue Agency Business Number
- Jurisdiction Incorporated (in full, no abbreviations)
- If the corporation was not incorporated in Ontario, the date business activity commenced and ceased (if applicable) in Ontario

Note: If there has been a taxation year end change approved by Canada Revenue Agency, please attach a copy of the approval to the return.

Name and Address

The Corporation's Legal Name, for filing purposes, is the legal name of the corporation as stated in the articles of incorporation or subsequent amendment document. Please enter the full name, including all punctuation.

The Mailing Address is the corporation's **current** address for the purpose of receiving correspondence from the ministry, i.e., CT23 Corporations Tax and Annual Return form; Notice of (Re)Assessment; Statement of Account; and refund cheques (if applicable).

The Registered/Head Office address and the **Location of Books and Records** address must consist of a street name and number, or a rural route and number or a lot and concession number. Post office box is not an acceptable address. Please do not abbreviate City/Town/Village names.

The Name of person to contact refers to an individual whom the ministry may contact for further information/clarification regarding the return.

MGS Information

Page 1 also includes information required by MGS collected under the authority of the *Corporations Information Act*. If the corporation has answered Yes to the question MGS Annual Return Required?, please complete the following additional information:

- The corporation's Ontario Corporation No. (MGS). This is the number assigned to the corporation by the MGS.
- If the corporation is an Extra-Provincial Corporation as defined by the *Corporations Information Act* please complete the Address of Principal Office in Ontario and, if applicable the **Former Corporation Name**.
- If more than one MGS Schedule A is being submitted, please indicate the number in the box provided.
- Please tick the No Change box if there has not been any change in the Directors/Officers/Administrators information previously submitted to MGS.

Certification (MGS) (Page 1)

If the corporation has answered Yes to the question MGS Annual Return Required? please complete the certification section on page 1. The authorized person must be an Officer, Director or other person having knowledge of the affairs of the corporation.

Identification (Page 3)

Type of Corporation

If the corporation is one of the 3 specialty types, enter a check mark in the appropriate box.

Amended CT23

If a CT23 was previously filed for this taxation year, enter a check mark in the Amended Return indicator field. Although an amended return is an acceptable method for making adjustments to tax return(s) previously filed, the preferred method is to send a letter to the attention of the Ministry of Finance (see page 3 of this guide for address).

The letter should identify the taxpayer by indicating the corporation's legal name and seven-digit Ontario Corporations Tax Account No. (MOF). The letter should clearly describe the adjustment(s) requested and should include supporting documentation, e.g., amended schedules.

Corporations may not file an Amended Annual Return. If filing an amended CT23, please ensure the answer to the question MGS Annual Return Required? is No.

Final Taxation Year up to Dissolution (wind-up)

As long as a corporation's articles of incorporation remain legally in force, the corporation must file either a tax return or if applicable, an Exempt From Filing (EFF) Declaration. This requirement applies to all corporations, including those that have neither taxable income nor assets due to inactivity. Since assessments are not produced for exempt years, a corporation must file a CT23 in the final year that its articles of incorporation are active and obtain a Letter of Consent from the ministry in order for it to voluntarily dissolve. Any corporation incorporated outside the jurisdiction of Ontario must contact ServiceOntario at 1-888-745-8888, to reflect this status change on the Ontario public record. For additional details on corporate dissolutions, refer to [Inf.B. 4006R](#) and to our website at ontario.ca/finance.

Reporting a Fiscal Year End Change

A fiscal year end change must be authorized by Canada Revenue Agency. Once approved, simply indicate this change on page 3 of the CT23 Taxation Year End Has Changed.

Other Information

If the corporation has transferred assets to or from a non-arm's length corporation with a permanent establishment in a Canadian jurisdiction other than Ontario, enter a check mark in the applicable box. See Elections for Rollovers on page 8 of this guide for details of the election forms and other information to be filed.

Ontario has enacted technical changes to the Act which adopt the elective rules under fed s.85 and 97 in a more rigid fashion. Generally, these rules tie Ontario into the federal elected amounts and apply to elections in respect of dispositions made on or after May 6, 1997.

Income Tax (Page 4)

Legislative amendments introduced in Bill 2 have increased the corporate income tax rate from 12.5% to 14%, effective January 1, 2004. For a taxation year that straddles an effective date, the rates are prorated.

On page 4, line [40] enter the amount of the corporation's Income Tax that you determine. Enter **NIL** if reporting a non-capital loss.

If claiming an IDSBC, check the Yes box and complete lines [50], [54], and [55] on page 4.

If your corporation is a member of a partnership that carries on an active business in Canada, compute your corporation's share of the specified partnership income using the Ontario business limit in accordance with subsections 41(6) and 41(7) of the Act to determine the amount to be included in line [50].

The schedule below outlines the changes to the IDSBC rates and the applicable periods to which the rates apply.

IDSBC Rate	Applicable Period
7.0%	January 1, 2003 to December 31, 2003
8.5%	January 1, 2004 and thereafter

Capital Gains: The 2000 Ontario Budget announced that Ontario would reduce the inclusion rate for capital gains from 75% to 66²/₃% effective for capital gains realized after February 27, 2000. In addition, as announced by the Minister of Finance in a News Release Province Forecasts \$1.4 Billion Surplus dated December 4, 2000, Ontario further reduced the capital gains inclusion rate from 66²/₃% to 50% effective retroactively to capital gains realized after October 17, 2000. These changes and effective dates coincide with the federal treatment regarding capital gains inclusion rate reductions.

Specified Tax Credits (Page 4)

The following 3 tax credits are specified refundable tax credits. These tax credits must first be applied to reduce income taxes payable and any unused portion of the tax credit will be treated as a deemed payment on account of taxes payable. For administrative ease, the sum of all the credits should be entered on page 4, line [220].

Enter the amount of the specified tax credit applied to reduce income tax on page 4, line [225];

Enter any unused portion to be used as a deemed payment on the summary on page 3, line [955].

Co-operative Education Tax Credit (CETC)

If claiming the CETC, attach CT23 Schedule 113.

The 2004 Ontario Budget proposed to amend the CETC following the implementation of the new Apprenticeship Training Tax Credit (ATTC). The CETC continues to be available for qualifying co-op placements. However, with respect to qualifying leading edge technology work placements, transitional rules apply for apprenticeships in their first 36 months that straddle May 18, 2004. Salaries and wages paid before May 19, 2004 qualify for the CETC, and amounts paid or payable for services performed after May 18, 2004 qualify for the ATTC.

For apprenticeships not in their first 36 months and for work placements in approved fields of study other than co-operative education programs, no deduction may be claimed for salaries and wages paid after December 31, 2004 and for employment commencing after October 25, 2004.

These changes were introduced in Bill 149 which received Royal Assent on December 16, 2004.

Complete CT23 Schedule 113 and send a copy of the letter of certification or voucher to the Ministry of Finance. Any questions relating to a course that qualifies as a qualifying cooperative education program or qualifying LET program should be directed to the Canada Revenue Agency (see page 3 of this guide).

Graduate Transitions Tax Credit (GTTC)

If claiming the GTTC, attach CT23 Schedule 115.

The 2004 Ontario Budget announced that the GTTC will expire for eligible expenditures made after December 31, 2004 and for employment commencing after July 5, 2004.

Apprenticeship Training Tax Credit (ATTC)

If claiming the ATTC, attach CT23 Schedule 114. The ATTC, introduced in the 2004 Budget, is a refundable tax credit of 25% (30% if payroll is \$400,000 or less) to corporations who incur eligible expenditures after May 18, 2004 in hiring qualifying apprentices in certain skilled trades during the first 36 months of apprenticeship.

The maximum credit for each eligible apprentice is \$5,000 per year, to a maximum of \$15,000 over the first 36 months of the apprenticeship. Eligible expenditures are salaries and wages, including taxable benefits, paid after May 18, 2004 and before January 1, 2011 to an eligible apprentice, less any related government assistance received in respect of the eligible apprentice.

Reconciliation of Net Income (Loss) for Federal Tax Purposes to Ontario (if different) (Page 5)

Transfer the net income (loss) determined on page 5, line [690] to page 4 of the CT23.

Resource Allowance

(Page 5, lines [609], [617] and [659])

The 2004 Ontario Budget announced that Ontario would not parallel the federal measure, introduced in the 2003 federal budget, that replaces the 25% resource allowance with a deduction for Crown royalties and mining taxes paid. (The federal resource allowance is actually being eliminated gradually over a five-year period starting January 1, 2003, and a deduction for provincial and other Crown charges is being phased in over the same five-year period.) Corporations will therefore, be able to claim the full amount of the resource allowance for Ontario tax purposes.

Enter the amount of federal resource allowance deducted on line [609].

Enter the amount of Crown charges deducted for federal purposes on line [617].

Enter the Ontario resource allowance claimed on line [659]. Attach schedule showing calculation.

The following changes were introduced in the 1998, 1999, 2002 and 2004 Ontario Budgets.

Workplace Child Care Tax Incentive

(Page 5, line [666])

The Workplace Child Care Tax Incentive (WCCTI), introduced in the 1998 Ontario Budget, is a 30% deduction of qualifying capital cost expenditures, incurred by a corporation to construct new on-site licensed child care facilities in Ontario, to renovate existing facilities in Ontario or for contributions made to an unrelated party for these types of expenditures.

The 2004 Ontario Budget announced that the WCCTI would expire for eligible expenditures incurred after December 31, 2004.

For additional information on the WCCTI refer to [Tax Legislation Bulletin, Number 99-2](#), dated August 1999.

Workplace Accessibility Tax Incentive

(Page 5, line [668])

The Workplace Accessibility Tax Incentive (WATI), introduced in the 1998 Ontario Budget, provides for an additional 100% deduction of qualifying expenditures that are incurred by an employer to accommodate a newly hired person with a disability. The maximum amount of qualifying expenditures is \$50,000 per eligible employee.

The 2004 Ontario Budget announced that the WATI would expire for eligible expenditures incurred after December 31, 2004.

For additional information on the WATI refer to [Tax Legislation Bulletin, Number 99-1](#), dated August 1999.

Ontario School Bus Safety Tax Incentive (OSBSTI)

(Page 5, line [671])

The OSBSTI, introduced in the 1999 Ontario Budget, is a 30% deduction of the capital cost of acquiring a new school bus.

The 2002 Ontario Budget has proposed a new deadline for the purchase of a school bus. It must be acquired prior to January 1, 2006.

For additional information on the OSBSTI refer to [Tax Legislation Bulletin, Number 00-3](#), dated June 2000.

Continuity of Losses Carried Forward Analysis of Balance by Year of Origin (Page 6)

Complete these schedules whenever losses are incurred or losses are carried forward.

The 2004 Ontario Budget proposed to parallel the federal measure that extends the loss carry-forward period for non-capital losses from 7 to 10 years.

Note: Commencing with the 2001 CT23 tax return capital losses are now shown at 100% of losses (before applying the inclusion rate).

Request for Loss Carry-back (Page 3)

Complete this schedule if the corporation is carrying back a non-capital, net-capital, farm or restricted farm loss. The onus is on the taxpayer to substantiate any loss being carried back to a prior year.

Summary of Taxes Payable (Page 3)

In the summary section, bring forward the amount of Income Tax, and enter on page 3, line [950]. Enter payments made on page 3, line [960]. If claiming the Specified Tax Credits, enter the unapplied amount (see Specified Tax Credits section) on page 3, line [955].

If you are requesting a refund -

- for the full overpayment, complete line [975]. Any related credit interest will also be refunded.
- and you want the total overpayment, including any related credit interest, to be applied to a particular taxation year, complete the Apply to field but leave line [980] blank.
- and you want to apply a specific amount to a taxation year, complete the Apply to field and put the amount in line [980]. Any remaining balance will be refunded.

Certification (CT23) (Page 3)

Complete the Certification section by providing the name of the authorized signing officer of the corporation. Be sure to sign and date the CT23.

The Annual Return (MGS)

The Annual Return is comprised of page 1 of the combined CT23 Corporations Tax and Annual Return and either of MGS Schedule A or MGS Schedule K (page 7 or 8). The information provided on these pages is collected under the authority of the *Corporations Information Act* for the purpose of maintaining a public database of corporate information. The Ministry of Finance (MOF) is collecting this information on behalf of the Ministry of Government Services (MGS). This collection process applies to corporations that have a taxation year ending on or after January 1, 2000.

If you answer Yes to the question below, Is An MGS Annual Return Required?, most of the information on page 1 of the combined return and where applicable, MGS Schedule A or MGS Schedule K, will be provided to MGS by the MOF. Authority for providing this information is given pursuant to subsection 98(4) of the *Corporations Tax Act*.

Is An MGS Annual Return Required?

Every corporation that is incorporated, amalgamated or continued in Ontario under the *Business Corporations Act*, Ontario must file an Annual Return. This type of corporation is referred to as an Ontario Corporation.

Every foreign corporation which has a licence endorsed under the *Extra-Provincial Corporations Act* to carry on business in Ontario must file an Annual Return. Foreign extra-provincial corporations are those corporations that are incorporated, amalgamated or continued outside Canada. This type of corporation is referred to as a Foreign Business Corporation.

If neither of the above applies to the corporation then please answer No to the question MGS Annual Return Required?.

If one of the above conditions does apply but the corporation has filed the Annual Return electronically to MGS, then the corporation's response to the question will be No.

Note: A corporation that is incorporated, continued, or amalgamated in a Canadian jurisdiction other than Ontario is **not required** to file an Annual Return.

How Can You File?

The following methods are available to file the Annual Return:

- Complete and submit the combined preprinted paper CT23 and Annual Return or the Annual Return and EFF Declaration to the Minister of Finance at the address indicated on the top of page 1 of these documents.

- Complete the electronic filing version of the Annual Return directly with the Ministry of Government Services. For information on this filing option, refer to the ServiceOntario website at serviceontario.ca/business. If applicable, the corporation would submit its CT23 to the Minister of Finance separately.

When Must You File?

A corporation with share capital that is required to deliver a CT23 (or is EFF) and an Annual Return is required to file the Annual Return within six months after the end of its taxation year. This applies whether the Annual Return is delivered to the MOF or electronically to MGS.

A corporation is only required to file **one** Annual Return in a calendar year. This return is due at the time the first CT23 is required to be delivered to the MOF during the calendar year. A corporation's CT23 is required to be delivered on or before the last day of the sixth month after the end of the taxation year.

The Annual Return will be considered delivered on the date it is received by the Ministry of Finance. The effective date of filing for the Annual Return is the date the information is updated in the Ontario Business Information System (ONBIS). The effective date of filing for the CT23 is the date the Minister of Finance receives it.

If the Annual Return is filed electronically during MGS business hours, the date of receipt will be considered to be that day. Otherwise, the date of receipt will be the next business day of MGS.

An Annual Return is considered filed if it is complete and has been recorded in the ONBIS.

Incomplete Annual Returns are considered to be deficient. MGS will contact corporations regarding Annual Return deficiencies. The Annual Return will not be considered filed until the deficiency is corrected.

What Must You File?

Ontario Corporations must complete all of the information on page 1 of the combined CT23 Corporations Tax and Annual Return. MGS Schedule A will only be required if there has been a change in the information previously submitted to MGS with regard to the Directors, Officers, or Administrators of the corporation.

Foreign Business Corporations must complete all of the information on page 1 of the combined CT23 Corporations Tax and Annual Return and MGS Schedule K. MGS Schedule K will only be required if there has been a change in the information previously submitted to MGS with regard to Chief Officer/Manager or Agent for Service.

All information in the Annual Return must be current as of the date of delivery to the Ministry of Finance or to the MGS.

Each corporation must keep an up-to-date paper or electronic record of the prescribed information set out in the return available for examination at its registered office or principal place of business in Ontario.

Note: If you are filing a CT23 or are claiming an exempt from filing (EFF) status, please refer to the beginning of this guide for information on completion and filing requirements.

Completion of Page 1

Page 1 is a common page to both the CT23 and the Annual Return. **In order to avoid delays in the processing of the return, it is essential that page 1 of the return contain all of the following:**

- Answer to the question: MGS Annual Return Required? (See above to determine whether the corporation is required to file)
- Corporation's Legal Name and Mailing Address
- Registered/Head Office Address-Address must consist of a street name and number, or a rural route and number, or a lot and concession number. Post office box is not an acceptable address. Please do not abbreviate City/Town/Village names.
- Ontario Corporations Tax Account No. (MOF)
- Taxation Year Start Date
- Taxation Year End Date
- Answer to the question: Has address changed since last filed CT23 Return? If yes, please indicate the date of change.
- Date of Corporation's Incorporation or Amalgamation
- Ontario Corporation No. (MGS)
- Canada Revenue Agency Business Number
- Jurisdiction Incorporated (in full, no abbreviations)

Note: If there has been a taxation year end change approved by Canada Revenue Agency, please attach a copy of the approval to the return.

What If You Need Help to Complete this Annual Return?

If you need more help after reading this section, please contact the Canada Revenue Agency at the numbers listed on page 3 of this guide.

Fines and Penalties

Sections 13 and 14 of the *Corporations Information Act* provide penalties for failure to file an Annual Return and the appropriate MGS Schedule(s) A or K.

A person, other than a corporation, is liable to a fine of not more than \$2,000. A corporation is liable to a fine of not more than \$25,000.

MGS Schedule A

MGS Schedule A **must** report current information on all directors and the five most senior officers of the corporation. All changes that have taken place since the last filing of the Annual Return, Initial Return or Notice of Change **must** also be included. Schedule A is not required where there has not been any change in the information reported on the last filing. Senior officers include the following positions or their equivalent: president, general manager, treasurer and secretary.

A minimum of one director is required in a non-offering business corporation and a minimum of three directors is required for all others.

The MGS Schedule A provides space for information on two Director/Officer positions.

Please photocopy the blank MGS Schedule A if you require additional space. Please state the number of MGS Schedule A's being submitted in the box on page 1 of the Annual Return.

Please complete all of the applicable fields on the schedule, ensuring that the Corporation's name includes all punctuation and that the Ontario Corporation No. (MGS) is the number assigned by MGS.

If the box Other (specify) is applicable, in order to cease or change an officer previously reported under Other Titles, cease the officer, then use a blank Schedule A to add (if applicable) the new information.

Instructions for completing MGS Schedule A

Field Name	Items to include
Corporation's Legal Name	include all punctuation
Ontario Corporation No. (MGS)	enter your Ontario Corporation No.
Date of Incorporation or Amalgamation	enter your incorporation or amalgamation date in the box provide
Director/Officer Information Full Name and Address for Service: <ul style="list-style-type: none"> • Last Name • First Name • Middle Name(s) • Street Number and Name • Suite • City/Town/Village • Province/State • Country • Postal/Zip Code 	complete all fields where applicable
Director <ul style="list-style-type: none"> • Resident Canadian Yes or No • Date Elected • Date Ceased 	complete all fields where applicable <ul style="list-style-type: none"> • check applicable box (applies for directors of business corporations only) • insert the date the individual became a director • insert the date the director ceased to hold their position
Officer <ul style="list-style-type: none"> • Date Appointed • Other (specify) • Date Ceased • Other (specify) 	complete all fields where applicable <ul style="list-style-type: none"> • indicate the position currently held by the individual and complete the date appointed as an officer to their current position(s) • insert the date the officer was appointed and check the appropriate box under other titles • insert the date the officer ceased to hold their position(s) • please specify if other titles apply • to cease or change an officer previously reported under Other Titles cease the officer, then use a blank Schedule A to add (if applicable) the new information.

MGS Schedule K

Schedule K is for reporting current information on the Chief Officer/Manager and the Agent for Service for foreign business corporations which have a licence endorsed under the *Extra-Provincial Corporations Act* to carry on business in Ontario.

Only one Schedule K may be submitted. Please do not photocopy.

Please complete all of the applicable fields and boxes on the schedule, ensuring that the Corporation's name includes all punctuation and that the Ontario Corporation No. (MGS) is the number assigned by MGS.

Instructions for completing MGS Schedule K

Field Name	Items to include
Corporation's Legal Name	include all punctuation
Ontario Corporation No. (MGS)	enter your Ontario Corporation No.
Date of Incorporation or Amalgamation	enter your incorporation or amalgamation date in the box provided
Chief Officer/Manager Information Full Name and Office Address of the Chief Officer/Manager in Ontario: <ul style="list-style-type: none"> • Last Name • First Name • Middle Name(s) • Street Number and Name • Suite • City/Town/Village • Province/State • Country • Postal/Zip Code 	complete all fields where applicable
Indicate the Appointment Period for the Position of Chief Officer/Manager: <ul style="list-style-type: none"> • Date Appointed boxes • Date Ceased 	complete all fields where applicable <ul style="list-style-type: none"> • insert the date the Chief Officer/Manager was appointed • insert the date the Chief Officer/Manager ceased their appointment
Indicate if the Agent for Service is an Individual or a Corporation: <ul style="list-style-type: none"> • Individual box • Agent's Last Name • Agent's First Name • Middle Name(s) • Street Number and Name • Suite • City/Town/Village • Province • Country • Postal Code • Corporation • Corporation Name • Corporation No. • Care Of • Street Number and Name • Suite • City/Town/Village • Province • Country • Postal Code 	complete all fields where applicable <ul style="list-style-type: none"> • enter a check mark if applicable • complete all fields where applicable

The Canada Revenue Agency administers Ontario's corporate tax. If you need more information after reading this publication, please contact the Canada Revenue Agency at 1-800-959-5525.