

2001 CT23 Corporations Tax and Annual Return and CT8 Corporations Tax Return 2001/2002 Update Form



**Applies only to Taxation Years
Ending on or after October 1, 2001**

The 2001 Ontario Budget and the Premier's October 1, 2001 announcement contained tax changes affecting the CT23 and CT8 returns, listed below:

- Decrease in the General Ontario Corporate Income Tax Rate;**
- Incentive Deduction for Small Business Corporations and related surtax thereon;**
- Increase in the Ontario Business Limit;**
- Manufacturing and Processing Profits Credit;**
- Introduction of \$5,000,000 deduction from total paid-up capital;**
- Add-Back for Management Fees for Payments to Non-Arms Length Non-Residents;**
- Research and Development (R&D) Superallowance.**

If your corporation is filing a tax return for a taxation year ending on or after October 1, 2001 and any of the items above apply to your corporation, the calculations on the following pages of this Update Form must be used and attached to your tax return. Do not use the calculations in the corresponding sections on the 2001 versions of the CT23 or CT8 tax returns for these items.

Originally these measures were announced in the 2001 Ontario Budget and with the exception of item #7, received legislative authority, through Bill 45, which received Royal Assent on June 29, 2001. The acceleration of these measures as announced by the Premier on October 1, 2001 received legislative authority through Bill 127.

The Premier's announcement on October 1, 2001 accelerated a number of tax rate cuts that were to take effect January 1, 2002, to a new effective date of October 1, 2001. This includes the general income tax rate for corporations being cut from 14% to 12.5% effective October 1, 2001. Consequential adjustments were made to the Incentive Deduction for Small Business Corporations and the related Surtax thereon, the Ontario Foreign Tax Credit, the Add-Back for Management Fees for

Payments to Non-Arms Length Non-Residents, the additional deduction for credit unions, the Manufacturing and Processing Tax Credit and the Ontario Capital Gains Refund available to Mutual and Investment Corporations. The Ontario enhancement of the \$200,000 federal business limit from \$40,000 to \$80,000 is now effective October 1, 2001 instead of January 1, 2002. Similarly the \$5,000,000 deduction from total paid-up capital for a corporation or associated group of corporations is also effective October 1, 2001 instead of January 1, 2002.

The 2001 Ontario Budget initiative replacing the R&D Superallowance was included in Bill 127. Corporations which are eligible to claim this initiative, must complete the required summary adjustments below. In addition you must complete and submit the necessary support schedules for this initiative (at the time of printing these schedules were not finalized, but will be available shortly). These schedules, when available, may be obtained by contacting the Ministry of Finance at 1 866 ONT-TAXS (1 866 668-8297). These schedules will also be available on the Ministry of Finance web site www.ontario.ca/finance when finalized.

The following two summary adjustments are required by corporations which claim the new measure that replaced the R&D Superallowance.

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ.

Add: Federal Scientific Research Expenses claimed in year from fed form T661

Include this amount in the subtotal on page 15 of the 2001 CT23 or page 9 of the 2001 CT8. +

Deduct: Ontario Scientific Research Expenses claimed in year from Ont form CT161

Include this amount in the subtotal on page 16 of the 2001 CT23 or page 10 of the 2001 CT8. +

Income Tax Line Line 40 on page 4 of the 2001 CT23 or page 2 of the 2001 CT8

Taxable Income

From (or if applicable) _____ • X % X 14.5% X _____
Ontario Allocation

From (or if applicable) _____ • X % X 14.0% X _____
Ontario Allocation

From (or if applicable) _____ • X % X 12.5% X _____
Ontario Allocation

From (or if applicable) _____ • X % X 11.0% X _____
Ontario Allocation

Numbers of Days in Taxation Year

Days after May 1, 2000 and before Jan. 1, 2001 Total Days = +

Days after Dec 31, 2000 and before Oct. 1, 2001 Total Days = +

Days after Sep 30, 2001 and before Jan. 1, 2003 Total Days = +

Days after Dec 31, 2002 and before Jan. 1, 2004 Total Days = +

Income Tax Payable (before deduction of tax credits) + + + =

Transfer on page 4 of the 2001 CT23, or page 2 of the 2001 CT8

Ontario Enhancement of Federal Business Limit Line 44 on page 4 of the 2001 CT23 or page 2 of the 2001 CT8

Numbers of Days in Taxation Year

40,000 X Days from above Total Days X From on page 4 of the 2001 CT23 or page 2 of the 2001 CT8 _____ ÷ 200,000 = +

80,000 X Days from above Total Days X From on page 4 of the 2001 CT23 or page 2 of the 2001 CT8 _____ ÷ 200,000 = +

120,000 X Days from above Total Days X From on page 4 of the 2001 CT23 or page 2 of the 2001 CT8 _____ ÷ 200,000 = +

Ontario enhancement of federal business limit + + =

Transfer on page 4 of the 2001 CT23, or page 2 of the 2001 CT8

Calculation of IDSBC Rate Line 78 on page 5 of the 2001 CT23 or page 3 of the 2001 CT8

Numbers of Days in Taxation Year

7.5% X Days after Dec 1, 1999 and before Oct. 1, 2001 Total Days = +

6.5% X Days after Sept. 30, 2001 and before Jan. 1, 2003 Total Days = +

5.5% X Days after Dec. 31, 2002 and before Jan. 1, 2004 Total Days = +

IDSBC Rate for Taxation Year + + =

Transfer to on page 5 of the 2001 CT23, or page 3 of the 2001 CT8

Deduction from Aggregate Taxable Income Line 114 on page 5 of the 2001 CT23 or page 3 of the 2001 CT8

Numbers of Days in Taxation Year

Subtract: 200,000 X Days before Jan. 1, 2001 Total Days = +

240,000 X Days after Dec. 31, 2000 and before Oct. 1, 2001 Total Days = +

280,000 X Days after Sept. 30, 2001 and before Jan. 1, 2003 Total Days = +

320,000 X Days after Dec. 31, 2002 and before Jan. 1, 2004 Total Days = +

+ + + =

Transfer to on page 5 of the 2001 CT23, or page 3 of the 2001 CT8

continued on Page 3

Income Tax *continued on Page 2*

Calculation of Specified Rate for Surtax

Line 94 on page 5 of the 2001 CT23
or page 3 of the 2001 CT8

Numbers of Days in Taxation Year

Days after Dec 31, 1999 and before Oct. 1, 2001	Total Days
76	73

5.0% X $\frac{76}{73}$ = + 93

Days after Sept. 30, 2001 and before Jan. 1, 2003	Total Days
28	73

4.33% X $\frac{28}{73}$ = + 95

Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
31	73

3.667% X $\frac{31}{73}$ = + 96

Specified rate of surtax for Taxation Year 93 + 95 + 96 = 94

Transfer to 94 on page 5 of the 2001 CT23, or page 3 of the 2001 CT8

Manufacturing and Processing Profits Credit **Line 160 on page 6 of the 2001 CT23**

Numbers of Days in Taxation Year

Days before Oct. 1, 2001	Total Days
152	73

From 143 on page 6 of the 2001 CT23 X From 30 Ontario Allocation % X 2.0% X $\frac{152}{73}$ = + 153

Days after Sept. 30, 2001 and before Jan. 1, 2003	Total Days
28	73

From 143 on page 6 of the 2001 CT23 X From 30 Ontario Allocation % X 1.5% X $\frac{28}{73}$ = + 154

Days after Dec 31, 2002 and before Jan. 1, 2004	Total Days
31	73

From 143 on page 6 of the 2001 CT23 X From 30 Ontario Allocation % X 1.0% X $\frac{31}{73}$ = + 155

M&P claim for taxation year 153 + 154 + 155 = 160

Transfer to 160 on page 6 of the 2001 CT23

Calculation of Capital Tax for all corporations except Financial Institutions.

This 2001/2002 Update Form replaces the Capital Tax Calculations on pages 10-13 in the 2001 CT23.

Important: If the corporation is a family farm corporation, family fishing corporation or a credit union that is not a Financial Institution, complete only **Section A** below.

OR If the corporation is NOT a member of an associated group and/or partnership, review only the capital tax calculations in **Section B** of the Update Form and select and complete the one specific subsection (e.g B4) that applies to the corporation.

OR If the corporation IS a member of an associated group and/or partnership, complete **Section C** of the Update Form. Next review, and if applicable, complete **Section D** of the Update Form. If **Section D** is not applicable review **Section E** of this Update Form and complete the applicable subsection: either **E1** or **E2**. Note: if the corporation is a member of a connected partnership, please refer to the 2001 CT23 guide for additional instructions before completing the capital tax section.

SECTION A

This section applies only if the corporation is a family farm corporation, a family fishing corporation or a credit union that is not a Financial Institution.

Enter NIL in 550 on page 13 of the 2001 CT23 and complete the return from that point.

SECTION B

This section applies if the corporation is NOT a member of an associated group and/or partnership.

B1. If the taxation year end is before January 1, 2001 and 430 and 480 on page 10 of the 2001 CT23 are both \$1,000,000 or less, enter NIL in 550 on page 13 of the 2001 CT23 and complete the return from that point.

B2. If the taxation year end is after December 31, 2000 and 430 and 480 on page 10 of the 2001 CT23 are both \$1,500,000 or less, enter NIL in 550 on page 13 of the 2001 CT23 and complete the return from that point.

B3. If the taxation year commences after September 30, 2001 and 430 and 480 on page 10 of the 2001 CT23 are both \$3,000,000 or less, enter NIL in 550 on page 13 of the 2001 CT23 and complete the return from that point.

B4. If taxable capital, 470 on page 10 of the 2001 CT23, is \$2,000,000 or less, enter NIL in 550 on page 13 of the 2001 CT23 and complete the return from that point.

Capital Tax Calculation *continued on Page 3*

B5. If taxable capital, [470] on page 10 of the 2001 CT23, exceeds **\$2,000,000** but is **\$5,000,000 or less**, complete the following calculations and transfer the total From [508] of this 2001/2002 Update Form to [543] on page 13 of the 2001 CT23, and complete the return from that point.

▼ **Calculation: Portion of Capital Tax relating to the days in the taxation year after December 31, 1999 and before January 1, 2001**

+ (a) From [470] _____ • X 0.3% = + [490] _____

Deduct:

[\$2,800,000 - [470] _____] • X 0.75% = - [493] _____

If 2,800,000 - [470] is negative enter NIL in [493]

([506] = [490] - [493]) = [506] _____ X From [30] [| | | | |] % X _____ = + [507] _____

Days in taxation year after Dec 31, 1999 and before Jan 1, 2001 [553]

Ontario Allocation ****365 (366 if leap year)**

▼ **Calculation: Portion of Capital Tax relating to the days in the taxation year after December 31, 2000 and before October 1, 2001**

+ (b) From [470] _____ • X 0.3% = + [490] _____

Deduct:

[\$3,200,000 - [470] _____] • X 0.5% = - [495] _____

If 3,200,000 - [470] is negative enter NIL in [495]

([509] = [490] - [495]) = [509] _____ X From [30] [| | | | |] % X _____ = + [522] _____

Days in taxation year after Dec 31, 2000 and before Oct 1, 2001 [558]

Ontario Allocation ****365 (366 if leap year)**

▼ **Calculation: Portion of Capital Tax relating to the days in the taxation year after September 30, 2001**

+ (c) Capital Tax for that portion of a taxation year after September 30, 2001 for a corporation whose taxable capital is \$5,000,000 or less and that is not associated, is NIL. _____ + _____

= Total Capital Tax for the taxation year [507] + [522] _____ = [508] _____

Transfer to [543] on page 13 of the 2001 CT23 and complete the return from that point

B6. If taxable capital, [470] on page 10 of the 2001 CT23 exceeds **\$5,000,000**, complete the following calculations and transfer the amount From [508] of this 2001/2002 Update Form to [543] on page 13 of the 2001 CT23, and complete the return from that point.

▼ **Calculation: Portion of Capital Tax relating to the days in the taxation year before October 1, 2001**

+ (a) From [470] _____ • X From [30] [| | | | |] % X 0.3% X [559] _____ = + [502] _____

Days in taxation year before October 1, 2001 [559]

Ontario Allocation ****365 (366 if leap year)**

▼ **Calculation: Portion of Capital Tax relating to the days in the taxation year after September 30, 2001**

+ (b) + From [470] _____

- _____

= [471] _____ X From [30] [| | | | |] % X 0.3% X [560] _____ = + [523] _____

Days in taxation year before Sept 30, 2001 [560]

Ontario Allocation ****365 (366 if leap year)**

= Total Capital Tax for the taxation year [502] + [523] _____ = [508] _____

Transfer to [543] on page 13 of the 2001 CT23 and complete the return from that point

Capital Tax Calculation *continued on Page 4*

SECTION C

If the corporation is a member of an associated group and/or partnership, complete the following two aggregate taxable capital calculations as applicable, and 510 (Yes)

Note: Calculation #2 is not required if the taxation year commences after September 30, 2001.

Taxable Capital From on page 10 of the 2001 CT23 + From

Calculation 1

Determine aggregate taxable capital of an associated group and/or partnership having a permanent establishment in Canada

Names of associated corporations or related partners having a permanent establishment in Canada (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Taxable Capital
			+ <input type="text" value="531"/>
			+ <input type="text" value="532"/>
			+ <input type="text" value="533"/>
+ Aggregate of Taxable Incomes <input type="text" value="470"/> + <input type="text" value="531"/> + <input type="text" value="532"/> + <input type="text" value="533"/> , etc.			= <input type="text" value="540"/>

If above is \$5,000,000 or less, the corporation's Capital Tax for the portion of the taxation year after September 30, 2001, is NIL. Enter NIL in in E1(c) or E2(b) on page 6 of this Update Form, as applicable.

If above is greater than \$5,000,000, the corporation must compute its share of the \$5,000,000 exemption below in order to calculate its Capital Tax for the portion of the taxation year after September 30, 2001.

From ÷ From X 5,000,000 =

Transfer to Section E2(b) on page 6 of this 2001/2002 Update Form

Calculation 2

Determine aggregate taxable capital of an associated group and/or partnership that does NOT have a permanent establishment in Canada

Names of Canadian & Foreign associated corporations or related partners with no permanent establishment in Canada (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Taxable Capital
			+ <input type="text" value="511"/>
			+ <input type="text" value="512"/>
			+ <input type="text" value="513"/>
+ <input type="text" value="511"/> + <input type="text" value="512"/> + <input type="text" value="513"/> , etc.			= <input type="text" value="514"/>
Total Aggregate Taxable Capital <input type="text" value="540"/> + <input type="text" value="514"/>			= <input type="text" value="520"/>

If above is greater than \$2,000,000, and less than \$3,200,000 and a portion of the taxation year is before October 1, 2001, the corporation must compute the following ratio.

From ÷ From =

Transfer to section E1(a) and/or (b) as applicable, on page 6 of this 2001/2002 Update Form

Note: cannot exceed 1.00000

SECTION D

This section applies if the corporation IS a member of an associated group and/or partnership whose total AGGREGATE taxable capital, above, is \$2,000,000 or less.

Enter NIL in on page 13 of the 2001 CT23 and complete the return from that point.

SECTION E

This section applies if the corporation IS a member of an associated group and/or partnership whose total AGGREGATE taxable capital, [520] on page 5 of this 2001/2002 Update Form, exceeds \$2,000,000.

E1. If total aggregate taxable capital [520] on page 5 of this 2001/2002 Update Form, exceeds \$2,000,000 but is \$3,200,000 or less, complete the following calculations and transfer the total From [508] of this 2001/2002 Update Form to [543] on page 13 of the 2001 CT23, and complete the return from that point.

▼ Calculation: Portion of Capital Tax relating to the days in the taxation year after December 31, 1999 and before January 1, 2001

(a) From [470] $\times 0.3\%$ = + [490]

Deduct:

\$2,800,000 - From [520] $\times 0.75\% \times$ [521] [| | | |] = - [493]

([506] = [490] - [493]) = [506] \times [30] [| | | |] $\% \times$ [553] = + [507]

If 2,800,000 - [520] is negative enter NIL in [493]

Days in taxation year after Dec 31, 1999 and before Jan 1, 2001

Ontario Allocation ****365 (366 if leap year)**

▼ Calculation: Portion of Capital Tax relating to the days in the taxation year after December 31, 2000 and before October 1, 2001

(b) From [470] $\times 0.3\%$ = + [490]

Deduct:

\$3,200,000 - From [520] $\times 0.5\% \times$ [521] [| | | |] = - [495]

([509] = [490] - [495]) = [509] \times [30] [| | | |] $\% \times$ [553] = + [522]

If 3,200,000 - [520] is negative enter NIL in [495]

Days in taxation year after Dec 31, 2000 and before Oct 1, 2001

Ontario Allocation ****365 (366 if leap year)**

▼ Calculation: Portion of Capital Tax relating to the days in the taxation year after September 30, 2001

(c) Capital Tax for that portion of a taxation year after September 30, 2001 for a corporation whose total aggregate taxable capital ([540] on page 5 of this 2001/2002 Update Form) is \$5,000,000 or less, is NIL. Enter NIL. = + [523]

Total Capital Tax for the taxation year [507] + [522] + [523] = [508] **Transfer to [543] on page 13 of the 2001 CT23 and complete the return from that point**

E2. If the total aggregate taxable capital [520] on page 5 of this 2001/2002 Update Form, exceeds \$3,200,000 complete the following calculations and transfer the amount From [508] to [543] on page 13 of the 2001 CT23, and complete the return from that point.

▼ Calculation: Portion of Capital Tax relating to the days in the taxation year before October 1, 2001

(a) From [470] \times From [30] [| | | |] $\% \times 0.3\% \times$ [555] = + [502]

Days in taxation year before Oct. 1, 2001

Ontario Allocation ****365 (366 if leap year)**

▼ Calculation: Portion of Capital Tax relating to the days in the taxation year after September 30, 2001

(b) + From [470] \times []

- From [541] (Section C) \times []

= [471] \times From [30] [| | | |] $\% \times 0.3\% \times$ [560] = + [523]

Days in taxation year after September 30, 2001

Ontario Allocation ****365 (366 if leap year)**

Total Capital Tax for the taxation year [502] + [523] = [508] **Transfer to [543] on page 13 of the 2001 CT23 and complete the return from that point**

Add-Back to Income re: Management Fees, etc. to Non-arms Length Non-residents

Line [613] on page 15 of the 2001 CT23 or page 9 of the 2001 CT8

Numbers of Days in Taxation Year

[612] $\times 5/14.5 \times$ [24] \div [73] = + [631]

[612] $\times 5/14.0 \times$ [26] \div [73] = + [632]

[612] $\times 5/12.5 \times$ [28] \div [73] = + [633]

[612] $\times 5/11.0 \times$ [31] \div [73] = + [634]

Total add-back amount for Management fees [631] + [632] + [633] + [634] = [613] **Transfer to [613] on page 5 of the 2001 CT23, or page 3 of the 2001 CT8**