Guide to the 2006 CT8 Corporations Tax Return

ISBN 1-4249-0022-0 © King's Printer for Ontario, 2022 Disponible en français 0231U Guide (2014/05)

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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 **www.cra.gc.ca**

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 **www.cra.gc.ca**

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 **www.ontario.ca/finance**

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

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, dissolution and forfeiture of the corporation's property to the Crown.

References to the *Corporations Tax Act* are noted in this manner – s.5 (meaning refer to section 5).

References to the Ontario Ministry of Finance Information or Interpretation Bulletins are noted – Inf.B.4003R1 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 www.ontario.ca/finance.

References to the federal *Income Tax Act*, Canada are noted as "fed".

Submitting your CT8

Generally, every insurer carrying on a business in Ontario through a permanent establishment (as defined in s.4) must submit a Corporations Tax Return – CT8.

A completed CT8 and supporting documents must be submitted within 6 months after the end of your taxation year. If the CT8 is filed late, a penalty may be imposed.

Rules for Calculating Penalty

The following penalties may be imposed for filing incomplete or late CT8s that are required to be filed on or after December 18, 1998. A taxpayer having one late filed CT8 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 CT8 is late, to a maximum of 12 months. A taxpayer having two late filed CT8s within 4 taxation years may be subject to a penalty on the latter return of 10% plus 2% for each full month that the CT8 is late to a maximum of 20 months.

For additional details on these penalties, refer to Inf.B.4004R, Penalties and Fines.

Attach a complete copy of:

- the corporation's financial statements for the taxation year;
- financial statements of all partnerships or joint ventures of the corporation;
- federal Part VI Tax Return.

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 online 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.

Send your tax payment(s), (payable to the Minister of Finance), and completed CT8 to:

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

Need help completing the form? Call the Canada Revenue Agency at the telephone number listed on page 3 of this guide.

CT8 Design

The CT8 contains 12 pages. Schedule 101 pertains to corporations subject to the Corporate Minimum Tax (CMT), Schedule 113 pertains to the Co-operative Education Tax Credit (CETC), Schedule 114 pertains to the Apprenticeship Training Tax Credit (ATTC), and Schedule 115 pertains to the Graduate Transitions Tax Credit (GTTC).

Highlights of Amendments

Instalments

For taxation years commencing after December 31, 2005, Ontario parallels the calculation of instalments under the federal *Income Tax Act* (ITA) where a corporation has been involved in a wind-up or rollover, or where the preceding taxation year is less than 183 days. For additional information, refer to Information Bulletin 4007R1.

Three new tick boxes on page 1 of the CT8

The 2006 CT8 Tax Return includes three new tick boxes on page 1. These boxes must be checked if any of the following is applicable:

- first year filing after incorporation or amalgamation;
- first year filing of a parent after winding-up a subsidiary;
- the corporation was involved in a non-arm's length transaction under subsection 85(1) or 85(2) of the ITA.

New Ontario CT Schedule 24

This schedule is filed by corporations for the first year of filing after incorporation, amalgamation or by parent corporations filing for the first time after winding-up subsidiary corporation(s) under section 88 of the ITA during the current taxation year. For additional information, refer to the Identification Section of this guide.

New Ontario CT Schedule 44

This schedule is filed by corporations who received all or substantially all (90 per cent or more) of the assets of a non-arm's length corporation in the taxation year, and subsection 85(1) or (2) of the federal ITA applied. For additional information, refer to the Identification Section of this guide.

Authorizing or Cancelling a Representative

This new form is to be completed to authorize the release of confidential information about your Corporations Tax Account or Mining Tax Account to the representative named, or to cancel consent for an existing representative.

DFILE

Effective March 1, 2006, a return on CD-ROM will be accepted.

Ontario Charitable Donations and Gifts

Schedule 2 has been revised to account for Ontario paralleling the new federal rule for charitable donations carried forward after an acquisition of control.

Ontario Political Contributions

The maximum deduction allowed for political contributions in computing a corporation's taxable income for a taxation year has been increased from $15,000 to $16,800 for contributions made after December 31, 2003 and before January 31, 2009. For additional information refer to Int.B.3002R2.

Federal Concordance Measure

The 2006 Ontario Budget proposes to parallel, subject to federal implementation, the income tax measures noted below as announced by the federal government in either November 2005 or in the 2005 Federal Budget, as they apply to corporations and their effective dates. They are as follows:

- extension of the carry-forward period for non-capital losses from 10 to 20 years;
- capital cost allowance provisions relating to cogeneration systems that use black liquor;
- tax deferral for a patronage dividend paid by an agricultural cooperative corporation that is received in the form of eligible shares, where the income inclusion would be deferred from the year the share is received to the year the share is disposed of; and
- limit to the expenses that a taxpayer can claim in respect of certain transactions, such as the issuance of shares, where the amount of the expenditure on which a tax credit or deduction may be claimed is limited to the cash outlay.

At the time of printing the 2006 Ontario Budget proposed measures requiring passage by the legislature and Royal Assent to become law.

Identification (Page 1)

Complete the page accurately in order to avoid delays in processing the return and to enable proper identification of your application.

Income Tax (Pages 2 - 4)

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 changes were introduced in Bill 2 which received Royal Assent on December 18, 2003.

On page 2, line [40] enter the amount of the corporation's Income Tax that you determine. Enter NIL if reporting a non-capital loss.

The following chart provides details of the business limit and phase-out limit changes.

Ontario Business Limit	IDSBC Phase-Out Range	Applicable Period
$320,000	$320,000 to $800,000	2003 calendar year
$400,000	$400,000 to $1,128,519	2004 calendar year and thereafter

If applicable, please complete:

- the federal business limit determined prior to the application of fed.s.125(5.1) as used in calculating the Incentive Deduction for Small Business Corporations (IDSBC) on page 2, line [55] ;
- if claiming an IDSBC, check the Yes box and complete lines [50] , [54] , [55] , [45] on page 2;
- 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, the surtax rates and the applicable periods to which the rates apply.

IDSBC Rate	Surtax Rate*	Applicable Period
7.0%	4.667%	2003 calendar year
8.5%	4.667%	2004 calendar year and thereafter

* applies to corporations where their taxable income and all associated corporations taxable income exceeds the Ontario business limit.

Capital Gains

The 2000 Ontario Budget announced that Ontario would reduce the inclusion rate for capital gains from 75% to 66 2/3% 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 66 2/3% 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.

On line [230] on page 4, enter the amount of the corporation's Income Tax that you determine. Enter NIL if reporting a non-capital loss.

If applicable, please attach schedule of computations on the Credit for Foreign Taxes Paid, line [170].

Exemptions

Every insurer having a permanent establishment in Ontario is subject to pay income tax except for the following, which may be wholly or partially exempt:

a. a fishing or farming property insurer that meets the conditions of fed.s.149(1)(t) as made applicable by s.57(1)(a);

b. a benevolent or fraternal benefit society, the profits of which are not derived from carrying on a life insurance business (fed.s.149(1)(k) as made applicable by s.57(1)(a));

c. a mutual benefit society, employees' mutual benefit society, a non-profit medical insurance association (s.57(1)(b));

d. a corporation established or incorporated solely in connection with, or for the administration of, a registered pension fund or plan (fed.s.149(1)(o.1) as made applicable by s.57(1)(a));

e. foreign insurance corporations, the profits of which are derived from marine insurance;

f. the non-marine underwriter members operation on the plan known as Lloyds.

Special Additional Tax (SAT) (Page 5)

Applies to life insurance corporations for taxation years ending after April 30, 1992. (Attach a copy of the federal Part VI Tax Return for the same taxation year.)

Qualifying Environmental Trust (QET) (Page 12)

Ontario has paralleled the federal income tax treatment regarding qualifying environmental trusts. The tax credit is treated as a deemed payment on account of taxes payable. If you are claiming QET, enter the total amount of the QET credit on line [985] , on page 12 of the CT8.

Specified Tax Credits (Page 4)

The following five tax credits are specified refundable tax credits. These credits must first be applied individually to reduce taxes payable (income, premium and SAT) and any unused portion of the tax credits will be treated as a deemed payment on account of taxes payable. For administrative ease, the sum of the five credits should be entered on line [220] on page 4 of the CT8. Enter the amount of the specified tax credit applied to reduce income tax on line [225] on page 4 of the CT8, to reduce SAT on line [315] on page 5 of the CT8 and to reduce premium tax on line [521] on page 7 of the CT8. Enter any unused portion of the specified tax credit to be used as a deemed payment on the summary on line [955] on page 12 of the CT8.

Ontario Innovation Tax Credit (OITC) (Page 4)

If claiming the OITC, complete and attach the OITC Claim form and enter the total amount on page 4, line [191]. Claim forms can be obtained by calling the ministry at the telephone numbers on page 3 of this guide or by downloading the form from our website www.ontario.ca/finance.

The OITC is a 10% refundable tax credit for qualifying public and private corporations (prior to May 5, 1999 only qualifying Canadian-controlled private corporations [CCPCs] were eligible) having a permanent establishment in Ontario.

The OITC is calculated on qualifying expenditures (annual maximum of $2 million) made in the taxation year for Scientific Research and Experimental Development (SR&ED) carried on in Ontario that are eligible for the federal investment tax credit under fed.s.127.

Corporations are eligible to claim the full OITC where their Ontario taxable paid-up capital and federal taxable income in the preceding taxation year do not exceed $25 million and $200,000 ($300,000 if the taxation year ends after 2002) respectively. The annual qualifying expenditure limit of $2 million is progressively reduced for those corporations:

- whose taxable paid-up capital or adjusted taxable paid-up capital in the preceding taxation year, is greater than $25 million, but less than $50 million; and
- whose federal taxable income is:
  - more than $200,000 but less than $400,000 in the preceding taxation year that **ends before 2003**; or
  - more than $300,000 but less than $500,000 in the preceding taxation year that **ends after 2002** (following legislative changes introduced in the 2003 federal budget).

If the corporation is part of an associated group, the Ontario taxable paid-up capital and federal taxable income of those corporations must also be included in the determination of the annual qualifying expenditure limit.

Effective for taxation years that end after March 22, 2004, small CCPCs that have a group of common investors (that was not formed to gain access to multiple expenditure limits) will not have to share the $2 million expenditure limit.

Effective December 9, 2002, associated non-resident corporations with no permanent establishment in Canada are to be included as part of an associated group.

Credit unions and insurance corporations are required to use taxable paid-up capital employed in Canada as determined for the federal large corporations tax instead of taxable paid-up capital or adjusted taxable paid-up capital.

Co-operative Education Tax Credit (CETC) (Page 4 & Schedule 113)

If claiming this credit attach CT23 Schedule 113 and enter the total tax credit claimed on page 4, line [192] (s.43.4). Retain the letter of certification or voucher – **do not** include it with your CT8.

The CETC is a refundable tax credit available to taxpayers hiring eligible university or college students enrolled in a recognized post-secondary education program. Ontario corporations with a permanent establishment in Ontario subject to Ontario corporate income tax are eligible for the credit.

There are two types of work placements: co-operative work placements which commence after July 31, 1996 and leading edge technology (LET) work placements which commence after December 31, 1997.

A credit of 10% is available to corporations whose previous taxation year's salaries and wages paid are equal to $600,000 or more. An enhanced credit of 15% is available to businesses whose previous taxation year's payroll was $400,000 or less. The enhanced credit is phased out for payroll between $400,000 and $600,000. The enhanced credit applies to work placements commencing after December 31, 1997.

The maximum credit is $1,000 for each work placement, regardless of the rate claimed in calculating the credit.

A qualifying co-operative work placement must be a minimum of 10 weeks while a **qualifying leading edge technology work placement** must be a minimum of 10 weeks with an average of 24 hours of employment per week. For most work placements, the maximum employment period is four months. However, if the employment period of a qualifying work placement exceeds four months, there could be more than one qualifying work placement for that particular student. Each four month employment period is considered a separate qualifying work placement each of which qualifies for a maximum of $1,000.

The **maximum** eligible employment period for a LET program is 16 months except where the employment commences after May 4, 1999 under a qualifying apprenticeship program, in which case the maximum eligible employment period is extended to 24 months.

The 2004 Ontario Budget amended 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 LET 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 cooperative education programs, no deduction may be claimed for salaries and wages paid after December 31, 2004 and for employment commencing after October 25, 2004.

Eligibility for the CETC requires:

- a letter of certification from the Ontario college, university or other post-secondary institution containing information as specified by the minister, stating that the student is enrolled in a qualifying education program; or
- a voucher for the LET program (other than an apprenticeship) stating that the education program meets the definition of a qualifying program in leading-edge technology and that the work performed by that student during the work placement is in a related field.

For a LET work placement commencing before March 1, 1999 refer to the important notice section of the Ontario Jobs Opportunity Voucher for special instructions.

LET programs include such fields as computer science, telecommunications technology, sciences (microbiology), mathematics and engineering.

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).

For additional information on the CETC refer to Int.B.3021R dated May 2006.

Graduate Transitions Tax Credit (GTTC) (Pages 4 & Schedule 115)

If claiming this credit, attach Schedule 115 and enter the total tax credit claimed on page 4, line [195] of the CT8 and enter the total number of graduates hired on page 4, line [194] of the CT8.

The GTTC is a refundable tax credit that applies to qualifying expenditures incurred after May 6, 1997 and before January 1, 2005 in hiring unemployed post-secondary graduates for positions in Ontario.

If the qualifying employment commenced after May 6, 1997, but before January 1, 1998, the GTTC rate is 10 percent.

If the qualifying employment commenced after December 31, 1997, and before July 5, 2004, the following rates apply:

- for corporations whose salaries and wages in the previous taxation year were $400,000 or less, the GTTC rate is 15%;
- the GTTC rate will be progressively reduced for corporations whose salaries and wages paid in the previous taxation year were over $400,000, but less than $600,000;
- for corporations whose salaries and wages in the previous taxation year were $600,000 or greater, the GTTC rate is 10%.

The maximum credit for each qualifying placement is $4,000, regardless of the rate claimed in calculating the credit.

Qualifying employment is considered to be working an average of more than 24 hours per week during the employment period.

The tax credit may only be claimed by the corporation based on qualified expenditures paid during the first 12-month period of qualified employment. The credit must be claimed in the taxation year in which the last day of the 12-month period of employment falls. The minimum employment period to qualify for the GTTC is six consecutive months.

Consecutive periods of employment by two or more associated corporations is considered to be one continuous period of employment.

Qualifying post-secondary graduates must have graduated from a prescribed program of study, as prescribed by the regulations, within the past three years and **cannot be related** to the qualifying employer.

Qualifying graduates must have been unemployed or have not been employed by any person for more than 15 hours per week for at least 16 of the last 32 weeks immediately preceding the first day of qualifying employment.

A person who is considered to be a full-time student by the educational institution, is deemed to be employed while enrolled in a prescribed program of study.

Qualifying expenditures are salaries and wages, including taxable benefits, paid or payable to the employee during the first 12-month period of employment, less any related government assistance received, including assistance received by associated corporations in respect of the qualifying employment (including grants, subsidies and forgivable loans). The qualifying expenditures have to be incurred prior to January 1, 2005.

Ontario Business-Research Institute Tax Credit (OBRITC) (Page 4)

If claiming the OBRITC, complete CT23 Schedule 198 and enter the tax credit on page 4, line [198] of the CT8.

The OBRITC claim form can be obtained by calling the ministry at the telephone numbers on page 3 of this guide or by downloading the form from our website www.ontario.ca/finance.

The OBRITC is a 20% refundable tax credit on all qualified research and development expenditures incurred in respect of an eligible research contract entered into, between a corporation operating in Ontario and an eligible research institute, during the taxation year after May 6, 1997; to the extent that no tax credit was claimed for a prior taxation year on these expenditures.

An advance ruling is required from the minister with respect to the contract, prior to the corporation incurring any expenditures. If the corporation incurs an expenditure under more than one contract, an advance ruling must be obtained for each of the contracts. When expenditures are incurred prior to the advance ruling being obtained, the expenditures will be considered made after the ruling, provided:

- the corporation subsequently obtains a favourable ruling;
- the ruling was applied for within 90 days of the later of, the day the contract was made and December 18, 1997; or
- the ruling was applied for within three years after the contract was made, if the minister is satisfied that the corporation could not apply earlier because of factors beyond its control.

An eligible contract is:

- one entered into by a corporation or a partnership with an eligible research institute if the eligible research institute agrees to directly perform in Ontario scientific research and experimental development related to a business carried on in Canada by the corporation or partnership; and
- the contract is entered into after May 6, 1997 or, if entered into prior to May 7, 1997, the terms of the contract are such that the research institute will continue to carry out scientific research under contract until after May 6, 1999.

An eligible research institute means a provincially (Ontario) assisted post-secondary institute such as:

- a university or college of applied arts and technology in Ontario;
- an Ontario Centre of Excellence;
- a non-profit organization that is prescribed by the regulations;
- a network of Centres of Excellence (federal); and
- a hospital research institute.

For additional information on the OBRITC, refer to Tax Legislation Bulletin, Number 00-2, dated January 2000.

Apprenticeship Training Tax Credit (ATTC) (Page 4 & Schedule 114)

If claiming the ATTC, attach CT23 Schedule 114 and enter the total tax credit claimed on page 4 line [203] of the CT8.

Enter the total number of apprentices hired on page 4, line [202].

The ATTC is a 25 to 30% refundable tax credit that applies to eligible expenditures incurred after May 18, 2004 in hiring qualifying apprentices in certain skilled trades during the first 36 months of the apprenticeship. Ontario corporations with a permanent establishment in Ontario and subject to Ontario corporate income tax are eligible for the tax credit.

A credit of 30% is available to corporations whose salaries and wages in the preceding taxation year were $400,000 or less. The ATTC is progressively reduced for corporations whose salaries and wages in the preceding taxation year were over $400,000 but less than $600,000. For corporations whose salaries and wages in the preceding taxation year were $600,000 or greater, the ATTC rate is 25%.

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. The maximum annual tax credit of $5,000 is pro-rated for the number of days the apprentice is employed (with that employer) during the year.

Eligible apprentices should be in a qualifying skilled trade and must be hired before January 1, 2008. Qualifying skilled trades include designated construction, industrial and motive power trades, as well as the service trades eligible under the present apprenticeship component of the CETC.

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.

For additional information on the ATTC and for a list of qualifying skilled trades, refer to Int.B.3020R dated May 2006.

Corporate Minimum Tax (CMT)
(Page 6)

Attach CT23 Schedule 101 if your Total Assets exceeds $5,000,000 or Total Revenue exceeds $10,000,000. These amounts include the aggregate of the total assets and total revenue of any associated corporation. These amounts also include the corporation's and/or any associated corporation's share of any partnership/joint venture total assets and total revenue. Your insurance corporation is exempt from CMT if it is exempt from income tax or is a non-resident corporation that is subject to income tax only because it disposed of taxable Canadian property situated in Ontario.

Life Insurance Corporations that are subject to both the CMT and SAT must complete the CMT calculations prior to finalizing the SAT. Corporations that are subject to CMT should complete page 6 of the CT8 and the applicable CMT Schedule 101.

Although corporations filing CT23 tax returns on or after June 1, 1995 are either allowed to file their returns electronically or on computer disk, insurance corporations must continue to file paper CT8 tax returns. (Refer to Inf.B.4003R1 dated May 2004.)

Premium Tax (Page 7)

Every insurer is liable to the premium tax on total taxable premiums unless exempted by one of the following provisions:

Exemptions

a. fraternal societies with respect to contracts entered into prior to the first day of January, 1974, (s.74(7)(d));

b. mutual benefit societies, pension funds, employees' mutual benefit societies and non-profit medical insurance associations (s.74(7)(e) and (f)).

Partial Exemptions

c. premium paid for annuities (s.74(1));

d. marine insurance premiums (s.74(7)(a));

e. premiums payable under contracts of insurance issued on the premium note plan by mutual insurance corporations insuring agricultural and other non-hazardous risks, the sole business of which is carried on in Ontario (s.74(7)(b));

f. premiums payable to mutual insurance corporations insuring agricultural and other non-hazardous risks, which are parties to the agreement pursuant to s.169 of the *Insurance Act,* establishing the Fire Mutuals Guarantee Fund (s.74(7)(c)).

Note:

1. Fraternal societies are liable to the premium tax with respect to all insurance contracts entered into on or after January 1, 1974.
2. The premium tax applies to insurers, including underwriters and syndicates of underwriters, operating on the plan known as Lloyds.
3. Segregated fund premiums (other than annuities) are subject to premium tax.
4. Associations registered under the Prepaid Hospital and *Medical Services Act* are deemed to be insurance companies for purposes of the insurance premium tax. This change is effective for premiums received under new or substantially modified contracts and for renewals of existing contracts coming into effect after May 19, 1993.

Additional Tax of ½ of 1% on Property Premiums

Every insurance corporation writing property premiums in Ontario is liable to the additional tax of ½ of 1% on property premiums. This also applies to fraternal societies as defined in the *Insurance Act* and to underwriters and syndicates of underwriters which operate on the plan known as Lloyds. There are no exceptions.

Premium Tax on Uninsured Benefits Arrangements (UBA) (Page 7)

Complete this section if you administer Ontario-related UBA and are liable to collect and remit premium tax related to the UBA. This provision applies to corporations and to unincorporated entities. If reporting UBA premiums, enter the amount of UBA premiums on line [510] on page 7 of the CT8 and the related amount of premium tax on line [514] on page 7 of the CT8.

If an UBA plan has more than one administrator at the same time, one administrator may file an election in a letter form to account for all tax owing for the plan. The letter must include the name of the plan, name and address of all administrators of the plan and a certification that all tax has been accounted for during the period covered by the election.

If partners of a partnership are each administrators of the same plan, the partners may wish to account for their UBA liability for the taxation year by filing a joint

CT8 tax return for their UBA tax only. A letter signed by each partner must be filed with each joint return certifying that the partners' UBA liability has been reported in full for the taxation year.

Registered Insurance Brokers

If you are a registered insurance broker who has placed insurance with an insurer not licensed in Ontario, please enter the total net premiums subject to tax on lines [390] , [440] , and [480] as applicable, and the related premium taxes on lines [511] , [512] and [513]. You should also answer Yes to the following question on page 1 of the return, **Are you an insurance broker remitting premium tax with respect to insurance contracts placed with unlicensed insurers?** (A registered insurance broker that is a corporation filing a CT23 return should report this tax on the CT23, not on this CT8 return.)

The premiums are subject to tax under the *Corporations Tax Act* if they are received by brokers during their taxation years commencing after 1997.

Insurance Exchanges

If you are a reciprocal or inter-insurance exchange, please enter the total net premiums subject to tax on lines [445] and [485] as applicable, and the related taxes on lines [512] and [513].

You should also answer Yes to the following question on page 1 of the return, **Are you a reciprocal or inter-insurance exchange within the meaning of the *Insurance Act?*.**

Insurance exchanges are required to pay premium tax under the *Corporations Tax Act* for premiums collected in taxation years commencing after 1997.

Allocation (Page 8)

If applicable, complete the schedule and enter the Ontario allocation percentage on line [572] of the CT8.

Reconciliation of net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes (Pages 9 & 10)

The reconciliation of federal net income for tax purposes from federal Schedule 1 to net income for Ontario purposes is to be prepared whenever items included in income or deductions allowed for Ontario tax purposes differ from those used in computing net income for federal tax purposes.

Some of the more common differences resulting in adjustments on the reconciliation schedule are Capital Cost Allowance, Cumulative Eligible Capital, and Reserves. Since these are often discretionary deductions taxpayers may choose to claim different amounts for Ontario and federal tax purposes.

Enter Net Income for federal income tax purposes on line [600] and Net Income for Ontario purposes on line [690] of the CT8, even if these amounts do not require reconciliation with each other or with Net Income per financial statements (e.g., If net income for federal income tax purposes and net income for Ontario purposes both equal $10,000).

Transfer the net income (loss) determined on page 10, line [690] to page 2 of the CT8.

Resource Allowance (Pages 9 & 10)

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.

For taxation years beginning after May 6, 1997, income computed for Ontario purposes must be used in determining Ontario resource profits. This will prevent corporations from obtaining a double benefit as a result of claiming both an Ontario incentive deduction and additional resource allowance on that incentive. A corporation may claim the resource allowance with respect to profits earned through a partnership where the partnership does not deduct Crown royalties and mining taxes in computing its income. Oil and gas companies can claim depletion deductions from earned depletion pools generated before 1990.

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.

Management Fees (Page 9)

Subsection 11(5) includes in income a designated fraction of management fees, rents, royalties and similar payments which are paid or payable to a non-resident person, or non-resident owned investment corporation, with whom the corporation is not dealing at arm's length. For more information see Int.B.3004.

The following schedule provides details of the rescheduled rates and the effective date for each. If a taxation year straddles more than one rate period, a proration of each applicable rate will be required based on the ratio that the days in the taxation year that fall within a specific rate period are to the total days in the taxation year.

Add-Back Rate	Applicable Period
5/12.5	2003 calendar year
5/14	2004 calendar year and thereafter

Royalties (Page 9)

As announced in the 1999 Ontario Budget, the following royalties will no longer be subject to the 5/15.5 add-back rule:

Amounts paid or payable to a non-arm's length non-resident person or a non-arm's length non-resident owned investment corporation:

- for the use or right to use in Canada computer software; or
- for the use or right to use in Canada patents or information concerning industrial, commercial or scientific experience (know-how), including designs, models, plans, formulas and processes.

This is regardless of whether a tax treaty exempts the royalty from federal withholding taxes under the ITA.

This change is effective for amounts which are deducted and are payable by a corporation for a taxation year ending after May 4, 1999.

Ontario Current Cost Adjustment (OCCA) (line [661])

The OCCA deduction is an incentive to assist corporations with the costs involved in purchasing new pollution control equipment for use in Ontario. Corporations are entitled to a one-time deduction in computing Ontario taxable income in respect of the eligible cost to the corporation of all eligible assets acquired by the corporation for the taxation year. The deduction is in addition to the capital cost allowance (CCA) deductions allowed for federal and Ontario income tax purposes. For more information see Int.B.3005.

Ontario Research and Development Expenditures Deduction (line [679])

In 2001 Ontario introduced the Ontario Scientific Research and Experimental Development deduction that replaced the R & D Super Allowance.

The new initiative allows corporations to exclude from taxable income for Ontario purposes, the amount of federal Investment Tax Credit relating to eligible Ontario Scientific Research and Experimental Development expenditures.

To claim the Super Allowance Replacement Deduction complete Schedule 161 and enter the amount on line [679].

Ontario New Technology Tax Incentive (ONTTI) (line [663])

The ONTTI is effective for taxation years ending after May 6, 1997. It allows an immediate write-off, by way of 100% of capital cost allowance, for the cost of qualifying intellectual properties acquired in the course of an intellectual property transfer.

Qualifying Intellectual Property includes such things as patents, licenses, know-how and other similar property constituting knowledge. The intellectual property must be used primarily for the purpose of implementing in Ontario an innovation or invention in a business carried on in Ontario. The maximum expenditure allowed in a year is $20 million. For further information see Tax Legislation Bulletin 98-12.

Workplace Child Care Tax Incentive (WCCTI) (Page 10, line [666])

The WCCTI is a 30% deduction of qualifying capital cost expenditures incurred by a corporation to construct new on-site licenced 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 corporation must obtain from the child care operator written confirmation that the money or qualified contributions are used for the purposes of constructing or renovating a child care facility or for the acquisition of playground equipment. The child care operator must provide the corporation with its licence number under the *Day Nurseries Act.*

Corporations which allocate part of their taxable income to other jurisdictions are entitled to gross-up the WCCTI deduction to ensure that the full benefit of the deduction is realized.

The WCCTI is allowed on eligible expenditures incurred after May 5, 1998 and before January 1, 2005.

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

Workplace Accessibility Tax Incentive (WATI) (Page 10, line [668])

The WATI provides a deduction in respect of qualifying expenditures incurred after July 1, 1998 and before January 1, 2005. The WATI can only be claimed once on a particular qualifying expenditure and is in addition to other deductions available for income tax purposes in respect of the qualifying expenditures.

The amount of the WATI for a corporation or partnership of which the corporation is a member during a particular taxation year is the total of:

1. The expenditures incurred to provide the support services of a sign language interpreter, an intervenor, a note-taker, a reader or an attendant, during a job interview in Ontario.
2. Qualifying expenditures up to a maximum of $50,000 per qualifying employee, other than the qualified expenditures included in the amount determined under paragraph 1 above. The maximum of $50,000 per qualified employee is reduced by any qualified expenditures incurred in a prior taxation year, in respect of the qualifying employee which were included in determining a WATI deduction in that prior year. Corporations with allocation to other jurisdictions are entitled to gross-up the WATI to ensure that the full benefit of the deduction is realized.

A corporation or partnership making a WATI deduction must keep as part of their books and records a copy of the certificate or relevant documentation on which the corporation is relying in claiming that the employee is a qualifying individual.

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

Educational Technology Tax Incentive (ETTI) (Page 10, line [673])

The Educational Technology Tax Incentive (ETTI) is a 15% deduction calculated on the amount of a price discount given or a donation made after May 2, 2000 and before January 1, 2005, to an eligible Ontario community college or university with respect to new eligible teaching equipment and learning technologies.

The ETTI is available to corporations and to a corporation that is a general partner in a partnership where the partnership has made the price discount or donation.

In order to claim this incentive, the corporation must obtain a certificate issued by the eligible educational institution which received the donation or price discount stating that the equipment or technology meets the conditions of eligibility for the ETTI. The certification form **must** be retained by the corporation in order to claim the incentive. The certificate should **not** be submitted with the corporation's tax return.

If claiming the ETTI, enter the total eligible amount for donations and price discounts in line [672] on page 10 of the CT8 return. The amount of ETTI claim should be entered in line [673] and will be 15% of the amount in line [672] for corporations operating only in Ontario (100% allocation to Ontario). For multi-jurisdictional corporations (less than 100% allocation to Ontario) the amount in line [672] must be grossed up by dividing it by the corporation’s Ontario allocation factor. The 15% incentive is then taken on the grossed up figure and entered in line [673].

For additional information on the ETTI, refer to Tax Legislation Bulletin, Number 01-07, dated June 2001.

Depreciable Property – Fast Write-off Incentive (line [675])

New investments in qualifying assets used to generate electricity from alternative or renewable sources of energy and new investments in qualifying electrical energy-efficient equipment, acquired after November 25, 2002 and before January 1, 2008, would be eligible for a 100% write-off in the year of acquisition. The Minister of Energy or their delegate may determine which property qualifies for the fast write-off.

Continuity of Losses Carried Forward – Analysis of Balance by Year of Origin (Page 11)

Complete these schedules whenever losses are incurred or losses are carried forward. Ontario parallels the federal measure that extends the loss carry-forward period for non-capital losses from 7 to 10 years for losses arising in taxation years that end after March 22, 2004.

Note: Commencing with the 2001 CT8 tax return capital losses are now shown at 100% of losses (before applying the inclusion rate).

Request for Loss Carry-Back (Page 12)

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

Summary of Taxes Payable (Page 12)

In the summary section, carry forward the amounts of Income Tax, Corporate Minimum Tax, Special Additional Tax, Premium Tax and enter the total on page 12, line [950]. As well, enter payments made on page 12, line [960]. Corporations may enter their Qualifying Environmental Trust on page 12, line [985]. If claiming the Specified Tax Credits, enter the unapplied amount (see Specified Tax Credits section) on page 12, line [955].

If you are requesting a refund:

- For the full overpayment, complete line [975]. Any related credit interest will also be refunded.
- If 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.
- If 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 (Page 12)

Complete the **Certification** section by providing the name, address, and title of the authorized signing officer of the corporation. Be sure to sign and date the Return.

Corporate Minimum Tax (CMT) Schedule 101

Complete Parts 1 to 5 only if the corporation is subject to the CMT and carry forward applicable totals to page 6 of the CT8.

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.

Published: January 2006
Content last reviewed: May 2014
ISSN: 1710-7261