Ontario Ministry of Finance

Guide to the 2003 CT23 Corporations Tax and Annual Return

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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

Overview

New Format for 2003 Return

To streamline the collection of corporate information, corporations are able to file a combined CT23 Corporations Tax and Annual Return for the 2000 and subsequent taxation years. The CT23 Corporations Tax Return collects the information required by the *Corporations Tax Act*. The Annual Return collects the 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 page 28 of this guide.

Also, more corporations will have the option of filing a CT23 Short-Form Corporations Tax and Annual Return. Please refer to page 6 of this guide for further information on who may file a CT23 Short-Form Corporations Tax and Annual Return.

This guide is to be used to complete the 2003 CT23 Corporations Tax and Annual Return.

Acronyms used in this guide are as follows:

- CT23 - refers to the CT23 Corporations Tax Return.
- Annual Return - refers to the MGS Annual Return.
- CT23 and Annual Return - refers to the combined CT23 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 - Information Bulletin 4003 or Interpretation Bulletin 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 Annual Return Format

The CT23 Corporations Tax and Annual Return consists of 24 pages, including the following 6 pages of schedules:

- 3 pages related solely to corporations subject to the Corporate Minimum Tax (CMT) (Schedules A to E);
- 1 page related to the Co-operative Education Tax Credit (CETC) (Schedule F); and the Graduate Transitions Tax Credit (GTTC) (Schedule G); and
- 3 pages 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 Bill 2, an Act respecting fiscal responsibility

Recent Legislation enacting changes to the corporate income tax rates was introduced in Bill 2, an Act respecting fiscal responsibility, which received Royal assent on December 18, 2003.

Effective January 1, 2004

- the general corporate income tax rate is increased to 14%;
- the tax credit for income from manufacturing and processing, mining, logging, farming and fishing (including electricity generating corporations and steam producers) is increased to 2%, thus increasing the effective tax rate on this type of income to 12%;
- the Incentive Deduction for Small Business Corporations in increased to 8.5%, thereby maintaining the small business tax rate at 5.5%; and
- the business income limit is increased to $400,000.

Income Tax Rate

The schedule below outlines the change to the general corporate income tax rate as a result of recent legislative changes introduced in Bill 2:

General Corporate Income Tax Rate	Effective Tax Rate on Income from Manufacturing and Processing, Mining, Logging, Farming and Fishing	Applicable Period
12.50%	11%	October 1, 2001 to December 31, 2003
14%	12%	January 1, 2004 and thereafter

For a taxation year that straddles an effective date, the rates are prorated.

Highlights of the 2001, 2002 Ontario Budget, Bill 2 & Other Legislative Changes

Research and Development

- For the purposes of the Ontario Innovation Tax Credit, associated non-resident corporations with no permanent establishment in Canada are to be included as part of an associated corporate group, effective December 9, 2002.
- Amendments were made to the Ontario Interactive Digital Media Tax Credit to allow a successor corporation to claim qualifying expenditures of a predecessor corporation where, during the course of certain reorganizations, the eligible product under development becomes property of the successor corporation. The amendments are effective for expenditures incurred after June 30, 1998.

Corporate Minimum Tax

Amendments were made to allow a Canadian subsidiary of a foreign bank to elect to transfer assets, on a tax-deferred basis, to a Canadian branch of its parent company. Additionally, any unused CMT credits and CMT losses are allowed to be transferred as well. These changes are effective June 28, 1999.

Capital Tax

- Effective October 1, 2001, the phasing-in of the $4 million taxable paid-up capital tax exemption for small businesses is eliminated and replaced with a flat $5 million deduction from the taxable paid-up capital for each corporation or associated group of corporations.
- Amendments were made to enable foreign branches of non-resident corporations to benefit from the $5 million deduction from their taxable paid-up capital employed in Canada, effective October 1, 2001.
- For financial institutions, the $2 million capital deduction applied in determining adjusted taxable paid-up capital is increased to $5 million, effective October 1, 2001.
- Effective January 1, 2003, a group of associated corporations may elect to use an "alternative method" to allocate the $5 million deduction among the associated corporate members based on the group members previous year's total assets. However, once an election is made, each corporation within the associated group must determine its share of the $5 million capital tax deduction in accordance with the election. For a non-resident corporation, its total assets in Canada shall be deemed to constitute its total assets for such purposes.
- Effective October 1, 2001, in determining the allocation of the $5 million deduction among a group of associated corporations, the taxable paid-up capital, the taxable paid up capital employed in Canada or the total assets of corporations that are either a financial institution or a corporation that is exempt from capital tax are excluded from the calculation.
- To conform with the extension of the deadline for registering a new Community Small Business Investment Fund to December 31, 2003, an amendment was made to allow an investment made by a financial institution in a Community Small Business Investment Fund Corporation before January 1, 2004 to be available for the Small Business Investment Tax Credit for financial institutions. The amendment is effective December 9, 2002.

Other Initiatives

- Corporations have the option to make quarterly instalments if their tax payable in either the current or preceding taxation year is greater than or equal to $2,000 but less than $10,000, effective for instalment payments made for taxation years commencing after 2001.
- Effective for taxation years ending after June 17, 2002, Ontario will parallel Canada's income tax treaties for the purpose of determining whether a non-resident corporation has a permanent establishment in Ontario.
- The current requirement that corporations must apply to be prescribed as a financial institution for capital tax purposes is eliminated. Financial institutions prescribed federally will automatically be deemed financial institutions for Ontario purposes. A corporation that is prescribed federally, but does not wish to be deemed a financial institution for Ontario purposes, can request to have the provisions not apply.

- 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.
- A corporation that owns an Ontario Jobs and Opportunity Bond is entitled to a deduction in respect of the interest earned on the bond in a taxation year. This measure is effective March 27, 2003.

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 on page 2 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 28 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 otherwise EFF corporations to file a CT23 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 the 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 is 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 will 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 of this guide).

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 (i.e., the corporation's Ontario allocation factor is 100%).
- 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), or the Graduate Transitions Tax Credit (GTTC).
- 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 the related guide may be obtained by contacting the ministry, at the numbers shown on page 3 of this guide 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 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 CT23, 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 6 of this guide), must submit a 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 28 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 information 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; and

Inf. B 4003 provides the filing requirements for diskette (DFILE) and paper filing of the CT23. Copies of this bulletin may be obtained by contacting the numbers listed on page 3 of this guide or you may refer to 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 black ink.

For corporations subject to the Corporate Minimum Tax (CMT), see page 20 of this guide.

Previous versions of the CT23 including ministry pre-printed 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 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 4004, 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.

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 Information Bulletin 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 Information Bulletin 4002R) where the GIFI is incomplete, inaccurate, or does not provide sufficient information to verify the corporation's tax liability under the Act. Whatever method is used for filing, financial statements of **all** partnerships and/or joint ventures of the corporation must be filed with the ministry.

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 transferee and the transferor 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 listed 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
Corporations Tax
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 28 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 under the following circumstances:

- **First Year Filing** - all taxes must be paid on or before the balance of tax due date which is either 2 or 3 months after the end of the taxation year (refer to **Balance of Tax**).
- **Tax payable for either the current or previous taxation year is less than $2,000** - all taxes must be paid on or before the balance of tax due date which is either 2 or 3 months after the end of the taxation year (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:

- 1/4 of the tax payable for the current taxation year; or
- 1/4 of the tax payable in the previous taxation year; or
- for the first quarter of the taxation year, 1/4 of the tax payable two years ago; and for the next three quarters, 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:

- 1/12 of the tax payable for the current taxation year; or
- 1/12 of the tax payable in the previous taxation year; or
- for the first two months, 1/12th of the tax payable two years ago; and for the next ten months, 1/10th 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 liabilities 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 additional information regarding changes to the business limit for Ontario purposes introduced in the 2000 Ontario Budget refer to page 11) for the previous taxation year.
- In all other cases, the balance of tax is due within two months after the end of your taxation year.
- 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 x the 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.

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 the above condition is met, 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.

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 28 of this guide for further information)
- Corporation's Legal Name and Mailing Address
- Registered/Head Office 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 your 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 of Finance 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 "Type of Corporation" is "5 (other)", enter a description of the corporation in the space provided. If the corporation is one of the 23 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:

Ministry of Finance
Corporations Tax
33 King Street West
PO Box 622
Oshawa ON L1H 8H6

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"? on page 1 is "No".

Inactive Corporations/Voluntary Dissolutions

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 or visit serviceontario.ca/business 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

Indicate whether or not the corporation is requesting a refund due to the carry-back of a loss to prior year(s), an overpayment and/or a specified refundable tax credit by entering check marks in the appropriate boxes (see page 13 of this guide for details about specified tax credits).

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 9 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 **(Pages 4, 5 & 6)**

The 2002 Ontario Budget rescheduled the reduction to the corporate income tax rates. Effective October 1, 2001, the rate was reduced from 14% to 12.5%. Legislative changes introduced in Bill 2 have increased the rate 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.

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

Ont Bus Limit	IDSBC Phase-Out Range	Applicable Period
$280,000	$280,000 to $700,000	October 1, 2001 to December 31, 2002
$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 4, line [55] ;
- If claiming an IDSBC, check the YES box and complete lines [50], [54], [55], [45] 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, the surtax rates and the applicable periods to which the rates apply.

IDSBC Rate	Surtax Rate*	Applicable Period
6.50%	4.33%	October 1, 2001 to December 31, 2002
7.00%	4.67%	January 1, 2003 to December 31, 2003
8.50%	4.67%	January 1, 2004 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 has 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.

(attach schedule of calculation)

The 2000 Ontario Budget announced the harmonization of the credit for the additional deduction for credit unions and IDSBC. The following schedule provides the details of the new rates and the effective period for each. If a taxation year straddles more than one rate period, a proration of each applicable rate will be required based on the days in the taxation year that fall within a specific rate period is to the total days in the taxation year. This measure has received legislative authority through Bill 72 which received Royal Assent on June 23, 2000.

Rate for Additional Deduction for Credit

Unions	Applicable Period
5.50%	Prior to May 2, 2000
7.50%	After May 1, 2000 and before October 1, 2001
6.50%	After September 30, 2001 and before January 1, 2003
7.00%	2003 calendar year
8.50%	After December 31, 2003

- Attach federal schedule T2 SCH 27 showing changes for Ontario purposes, for the Manufacturing and Processing Profits Credit on page 6, line 160 ; and
- Attach a schedule of computations of the Credit for Foreign Taxes Paid on page 6, line 170 .

Qualifying Environmental Trust Tax Credit (QET) (Page 17)

Ontario parallels 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 the QET, enter the total amount of the QET credit on page 17, line [985].

Specified Tax Credits (Page 7)

The following 10 tax credits are specified refundable tax credits. These tax credits must first be applied individually to reduce taxes payable (income, premium and capital) 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 7, line [220].

Enter the amount of the specified tax credit applied:

- To reduce income tax on page 7, line [225];
- To reduce capital tax on page 12, line [546]; and
- To reduce premium tax on page 13 line [589].

Enter any unused portion to be used as a deemed payment on the summary on page 17, line [955].

Ontario Innovation Tax Credit (OITC)

If claiming the OITC, complete and attach the OITC Claim form and enter the total amount on page 7, line [191]. Claim forms can be obtained by calling the Ministry of Finance at the telephone numbers on page 3 of this guide or by downloading the form from our website 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 were eligible) having a permanent establishment in Ontario.

The OITC is calculated on qualifying expenditures (annual maximum of $2,000,000) made in the taxation year for Scientific Research and Experimental Development (SR&ED) carried on inOntario 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 respectively. The annual qualifying expenditure limit of $2,000,000 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.

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

If claiming the CETC, enter the total tax credit claimed on page 7, line [192].

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 all work placements, the maximum employment period is four months.

The **maximum** number of work placements that an employer can have for a student, with two exceptions, are 4 (i.e. 16 months). The first exception is for a qualifying co-op work placement that is not an internship, there is no limit to the number of placements. The second exception is for a qualifying apprenticeship whose employment commences after May 4, 1999, the maximum number of placements is 6 (i.e. 24 months).

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 LET programs (other than an apprenticeship) stating that the educational 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 LET work placement commencing before March 1, 1999 refer to the important notice section of the Ontario Jobs Opportunity Voucher for special instructions.

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

For additional information on the CETC refer to Tax Legislation Bulletin, Number 96-2R2, dated June 2000.

Complete Schedule F on page 21. Retain the letter of certification or voucher - do not include it with your CT23.

Ontario Film and Television Tax Credit (OFTTC)

If claiming the OFTTC, enter the total tax credit claimed on page 7, line 193 of the CT23. Attach the original certificate of eligibility received from the Ontario Media Development Corporation and CT23 schedule 193/199.

For information, please call the Ontario Media Development Corporation at 416 314-6858.

The OFTTC, introduced in the 1996 Ontario Budget, is a 15% refundable tax credit available to Ontario film and television productions based on qualifying Ontario labour costs incurred before May 7, 1997 and 20% for those labour costs incurred after May 6, 1997.

- Annual tax credit limit for a corporation or an associated group is:
    - $2,000,000 for productions commencing in 1996; and,
    - $2,666,667 for productions commencing before November 1, 1997;
    - The annual tax credit limit has been eliminated for productions commencing after October 31, 1997.
- Qualifying Ontario labour expenditures incurred in the taxation year, are those expenditures incurred after June 30, 1996, in respect of a production where the principal photography or key animation commenced after May 7, 1996.

The 2000 Ontario Budget proposed to enhance and simplify the OFTTC effective May 2, 2000 as follows:

- OFTTC to be based only on Ontario labour expenditures, net of certain government assistance related to those expenditures; and
- Equity investments by government agencies to be treated as government assistance with any reduction in Ontario labour expenditures calculated on a pro-rata basis (See the proposed enhancement in the 2003 Ontario Budget below).
- New regional bonuses for productions that have at least five location days in Ontario and at least 85% of location days in Ontario outside the Greater Toronto Area. The OFTTC would provide for a 10% bonus on Ontario labour expenditures incurred after May 2, 2000.

These changes were introduced in Bill 152 which received Royal Assent on December 21, 2000.

The 2003 Ontario Budget proposed to enhance the OFTTC so as to maintain Ontario's competitive advantage in the film and television production industry:

- Effective for productions commencing principal photography after March 27, 2003, eligible Ontario labour expenditures would not be reduced by equity investments from government agencies.

Graduate Transitions Tax Credit (GTTC)

If claiming this credit, complete Schedule G on page 21 and enter the total tax credit claimed on page 7, line [195].

Enter the total number of graduates hired on page 7, line [194].

The GTTC, introduced in the 1997 Ontario Budget, is a refundable tax credit that applies to qualifying expenditures incurred after May 6, 1997 in hiring unemployed postsecondary graduates for positions in Ontario.

If the qualifying employment commenced after May 6, 1997, but before January 1, 1998, the GTTC rate is 10%. If the qualifying employment commenced after December 31, 1997, 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 tax credit may only be claimed by the corporation based on qualified expenditures paid during the first twelvemonth period of qualified employment. The credit must be claimed in the taxation year in which the last day of the twelve-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 twelve-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 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.

For additional information on the GTTC, refer to Tax Legislation Bulletin, Number 01-3, dated March 2001.

Ontario Book Publishing Tax Credit (OBPTC)

If claiming the OBPTC enter the total amount of the tax credit on page 7, line [196]. The corporation must include with the CT23 the Ontario Book Publishing Tax Credit claim form and the Certificate Form which has been signed by an authorized officer of the Ontario Media Development Corporation (OMDC).

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

The taxpayer must complete and sign the OMDC OBPTC application form and forward it and a copy of the book on which the request for the tax credit is being made to OMDC.

If the publisher and book satisfy all the conditions for eligibility, an authorized officer of OMDC will complete and sign the certificate of eligibility and return it to the corporation. The corporation must then complete the OBPTC claim form and include this form with the corporation's CT23. The certification form should be filed with the CT23 tax return.

A corporation must complete and submit a separate claim form for each book for which a tax credit is requested.
The OBPTC, introduced in the 1997 Ontario Budget, is a 30% refundable tax credit based on qualifying expenditures made after May 6, 1997 and attributable to an eligible literary work.

The OBPTC is limited to a **maximum of $10,000 per eligible literary work before May 3, 2000. The 2000 Ontario Budget change increased the maximum to $30,000 after May 2, 2000.**

Qualifying Corporations:

- Must be a Canadian-controlled corporation in accordance with s.26 to 28 of the *Investment Canada Act* (Canada) throughout the taxation year; and
- Corporation's principal business activity is the selecting, editing and publishing of books carried out through a permanent establishment in Ontario.

Publishing Corporations:

- must offer the literary work for sale to the retail market;
- must own its own inventory;
- must bear the financial risks associated with carrying on the business of publishing;
- must enter into contractual agreements with authors and copyright holders for the production of literary works in print;
- cannot claim the tax credit if the literary work was published on consignment; and
- cannot have an agreement with the author or related person to guarantee the payment of the cost of publishing or marketing the literary work

Eligible Literary Work:

- must be certified by the OMDC;
- must be published after May 7, 1997;
- must be assigned an International Standard Book Number;
- must belong to an eligible category of writing such as fiction or poetry and contain at least 90%, or more, of new material not previously published;
- must be written by a first-time Canadian author (refer to the 2000 Ontario Budget change below);
- must be at least 48 pages in length (except a children's book) and be bound as a paperback or a hardcover; and
- must be at least 65 percent text to pictures, unless it is a children's book.

Qualifying Expenditures are:

- pre-press costs;
- promotional costs; and
- one half of production costs incurred for printing, assembling and binding activities carried out primarily in Ontario.

The 2000 Ontario Budget proposed to further support the publishing and development of first-time Canadian authors by expanding the maximum tax credit from $10,000 to $30,000 per eligible literary work on the first 3 works by a Canadian author, effective for qualifying expenditures made after May 2, 2000. These changes were introduced in Bill 152 which received Royal Assent on December 21, 2000.

The 2003 Ontario Budget proposed to deem the books published and the qualifying expenditures incurred by the predecessor corporation to be those of the successor corporation, effective for corporate reorganizations after December 31, 2001.

For additional information on the OBPTC, refer to Tax Legislation Bulletin, Number 01-2, dated March 2001.

Ontario Computer Animation and Special Effects Tax Credit (OCASE)

The Ontario Computer Animation and Special Effects (OCASE) tax credit is a 20% refundable tax credit for corporations for activities carried out in Ontario to create digital animation and digital visual effects for use in film and television productions.

If claiming the OCASE tax credit enter the total tax credit claimed on page 7, line 197. Include the certificate of eligibility obtained from the Ontario Media Development Corporation (OMDC), with the CT23.

Contact the OMDC for the certificate of eligibility by calling 416 314-6858.

- OCASE, introduced in the 1997 Ontario Budget, is a refundable tax credit equal to the sum of:
  - a. the lesser of:
    - i. 20% of the corporation's qualifying labour expenditures for the taxation year, incurred prior to May 6, 1998, in respect of eligible computer animation and special effects activities (ECA and SEA); and
    - ii. the amount of the corporation's Ontario computer animation and special effects **tax credit limit** as certified by the OMDC for all eligible productions for the taxation year; and
- 20% of the corporation's qualifying labour expenditures for the taxation year, incurred after May 5, 1998, in respect of ECA and SEA.
- Effective for expenditures incurred after May 4, 1999, 50% of the amount paid to individuals in Ontario who are not employees of the corporation but who are engaged in the qualifying activities is a qualifying labour expenditure and is eligible for the OCASE tax credit.
- The tax credit limit of a qualifying corporation and all corporations associated with it, is $333,000 for the 1997 calendar year and $500,000 in respect of eligible labour expenditures incurred after December 31, 1997 and before May 6, 1998. There is no limit on otherwise qualifying expenditures incurred after May 5, 1998.

- A qualifying corporation is a Canadian corporation that performs ECA and SEA at its permanent establishment in Ontario, for an eligible production undertaken or for a production under contract with the producer of the production; and
    i. **is not** a Labour Sponsored Venture Capital Corporation; and
    ii. cannot be controlled by one or more income tax exempt corporations.
- Qualifying labour expenditure is the total of all amounts each of which is the eligible labour expenditure of the corporation in respect of an eligible production for the taxation year.
- Eligible labour expenditures for a taxation year equal the lesser of:
    a. the salaries or wages that are directly attributable to ECA and SEA, that are paid by the corporation after June 30, 1997 (but, no later than 60 days after the end of the corporation's taxation year) to certain individuals that report to the corporation's Ontario permanent establishment; and
    b. the amount by which 48% of the prescribed cost of the ECA and SEA incurred by the corporation in respect of the eligible production exceeds government assistance, in respect of ECA and SEA, the cost of which is included in the cost or capital cost of the eligible production.

Ontario Business-Research Institute Tax Credit (OBRITC)

If claiming the OBRITC, complete the Ontario Business Research Institute Tax Credit (OBRITC) claim form and enter the credit on page 7, line [198].

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

The OBRITC, introduced in the 1997 Ontario Budget, 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 (ERI), 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 3 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; and
    - a hospital research institute.
    - The corporation cannot be connected to the ERI (refer to the 2003 Ontario Budget Highlights on page 4).

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

Ontario Production Services Tax Credit (OPSTC)

If claiming the OPSTC, enter the total amount of the tax credit on page 7, line [199]. Attach the original certificate of eligibility or a certified copy of the certificate obtained from the Ontario Media Development Corporation and CT23 Schedule 193/199.

For additional information, please contact the Ontario Media Development Corporation at 416 314-6858.

The OPSTC, is an 11% refundable tax credit based on qualifying Ontario labour expenditures incurred in the taxation year and after October 31, 1997 attributable to an eligible production.

A qualifying corporation is a corporation that has a permanent establishment in Ontario and produces the eligible production in Ontario. The credit is available only to those corporations that have not claimed or are not allowed to claim an OFTTC under s.43.5.

The OPSTC is a specified tax credit that may be applied to reduce taxes payable (income, premium and capital) and any unused portion may be treated as a deemed payment on account of taxes payable.

The 2000 Ontario Budget proposed new regional bonuses for productions that have at least five location days in Ontario and at least 85% of location days in Ontario outside the Greater Toronto Area. The OPSTC provides for a 3% bonus on Ontario labour expenditures incurred for these productions after May 2, 2000 bringing the total credit for the expenditures to 14%. These changes were introduced in Bill 152 which received Royal Assent on December 21, 2000.

Ontario Interactive Digital Media Tax Credit (OIDMTC)

If claiming the OIDMTC, enter the total amount of the tax credit claimed on page 7, line [200].

The OIDMTC, introduced in the 1998 Ontario Budget, is a 20% refundable tax credit available to qualifying corporations on qualifying expenditures incurred after June 30, 1998 to create interactive digital media products in Ontario.

Qualifying expenditures of a qualifying corporation for a taxation year is the total of its eligible labour expenditures and eligible marketing and distribution expenditure for eligible products for the taxation year.

A qualifying corporation:

- is a Canadian corporation that has a permanent establishment in Ontario;
- on an associated company basis, has neither annual total revenues in excess of $20 million nor total assets in excess of $10 million for the immediately preceding taxation year; and
- is not exempt from taxation under the *Corporations Tax Act*.

The 2000 Ontario Budget proposed expanding the OIDMTC to include up to $100,000 of qualifying marketing and distribution expenses incurred after May 2, 2000 directly related to an eligible interactive digital media product. The qualifying marketing and distribution expenses are limited to those incurred in the 24-month period prior to the completion of the eligible interactive digital media product or in the 12 months after the month in which the eligible product is completed. These changes were introduced in Bill 152 which received Royal Assent on December 21, 2000.

The 2002 Ontario Budget introduced amendments to allow a successor corporation to claim qualifying expenditure of a predecessor corporation where, during the course of certain reorganizations, the eligible product under development becomes property of the successor corporation. The amendments are effective for expenditures incurred after June 30, 1998.

Attach the certificate issued by the Ontario Media Development Corporation for the taxation year or a certified copy of the certificate to the CT23 tax return.

For additional information, please call the Ontario Media Development Corporation at 416 314-6858.

Ontario Sound Recording Tax Credit (OSRTC)

If claiming the OSRTC, enter the total amount of the tax credit on page 7, line [201]. The corporation must complete and include with its CT23 the OSRTC claim form. Attach the original certificate or a certified copy of the certificate obtained from the Ontario Media Development Corporation to your CT23 tax return.

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

For additional information, please contact the Ontario Media Corporation at 416-314-6858.

The OSRTC, introduced in the 1998 Ontario Budget, is a refundable tax credit available to an eligible sound recording company equal to 20% of qualifying expenditures incurred after January 1, 1999.

The 2000 Ontario Budget proposed that, effective for expenditures incurred after January 1, 1999, the credit will be available to all Ontario-based, Canadian-controlled sound recording companies. An eligible sound recording company must carry on its sound recording business for at least 24 months preceding the taxation year and allocate, in the current taxation year, more than 50% of its taxable income to Ontario. The budget also proposed to expand the 24-month test to include time spent as a sole proprietorship and, in the case of a corporate reorganization, time spent by a predecessor corporation. These measures were introduced in Bill 152 which received Royal Assent on December 21, 2000.

An eligible sound recording must be produced by an eligible sound recording company.

For additional information on the OSRTC, please refer to Tax Legislation Bulletin, Number 01-4 dated, March 2001.

Corporate Minimum Tax (CMT)

Complete 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.

Corporations that are subject to CMT are required to file financial statements in accordance with GAAP (Refer to Inf. B. 4002R dated September 2002). Your corporation is exempt from CMT if it is:

- an investment corporation as referred to in s.47;
- a mutual fund corporation, or non-resident-owned investment corporation as referred to in s.49; or
- a communal organization, a corporation exempt from income tax or a non-resident corporation that is subject to Ontario income tax only because it disposed of taxable Canadian property situated in Ontario.

Corporations subject to the CMT should DFILE (Refer to Inf. B. 4003 dated September 2002). Corporations which are not able to obtain the necessary software package to DFILE, may file their tax return using the Ministry of Finance's pre-printed CT23. Complete Schedules A to E only if the corporation is subject to the CMT. (See page 18 of the 2003 CT23 tax return.)

Corporations that are exempt from CMT, or are not subject to CMT in the year and are not applying a CMT credit, do not need to submit pages 19 and 20 of the 2003 CT23 tax return (CMT Schedules, B,C,D, and E).

For purposes of CMT, the calculation of the CMT base includes adjustments for elections filed under sections 85 and 97 of the *Income Tax Act* (Canada) (ITA) and for application of section 85.1 of the ITA.

Where such adjustments are applicable, s.57.9 of the Act requires corporations to jointly elect in the form approved by the Minister. The Minister will consider a letter that specifically states that the parties are electing under s.57.9 of the Act; the letter contains the names and accounts numbers of both the transferor and transferee; is signed and dated by the transferor and transferee; and contains a calculation of the adjustment to the CMT base. Where applicable, a copy of the federal election should also be filed.

Capital Tax (Pages 9 to 13)

On page 12, line [543], enter the total amount of the corporation's Capital Tax as calculated.

Attach the following, if applicable:

- If your corporation is a member of a partnership or has contributed assets to a joint venture, attach schedules showing the corporation's share of the paid-up capital, eligible investments, total assets and gross revenue of all partnerships and joint ventures. The forms "Paid-up Capital - Partnerships/Joint Ventures", "Eligible Investments - Partnerships/Joint Ventures" and "Share of Total Assets - Partnerships/ Joint Ventures" can be obtained by calling the ministry at the telephone numbers on page 3 of this guide or by downloading from our website ontario.ca/finance.
- Supporting computations for any additions or deductions from Total Paid-up Capital page 9, lines [361] and [371], and Total Assets page 10, line [443].
- List all corporate names, amounts and types of investments claimed as Eligible Investments, page 9, lines [402] to [406].

Exemption from Capital Tax

- For taxation years ending after December 31, 2000, corporations that have total assets and gross revenue of $1.5 million or less and that are not part of a group of associated corporations or a partnership are exempt from capital tax and from the requirement to calculate taxable paid-up capital.
- The 2001 Ontario Budget increased the threshold for total assets and gross revenue to $3 million for taxation years commencing after September 30, 2001. This 2001 measure obtained legislative authority through Bills 45 and 127 which received Royal Assent on June 29 and December 5, 2001, respectively.
- Family farm corporations, family fishing corporations, credit unions that are prescribed not to be financial institutions and certain mutual insurance corporations are exempt from capital tax effective for taxation years ending after May 4, 1999 (Please refer to page 23 of this guide for details of the capital tax exemption for credit unions that are financial institutions).

Deduction from Taxable Paid-up Capital

- The 2001 Ontario Budget introduced a deduction from taxable paid-up capital equal to the lesser of $5 million and the corporation's taxable paid-up capital effective for taxation years ending after September 30, 2001. If the corporation is associated with other corporations that have permanent establishments in Canada and the taxable paid-up capital of the associated group is less than $5 million, the deduction is equal to the corporation's taxable paid-up capital. If the taxable paid-up capital of the associated group is greater than $5 million, the deduction is equal to:

$$\frac{\text{5 million x Taxable paid-up capital of the corporation}}{\text{Taxable paid-up capital of the associated group}}$$

For taxation years straddling October 1, 2001, the capital tax deduction is prorated based on the ratio of the number of days in the taxation year after September 30, 2001 to the total number of days in the taxation year. This measure received legislative authority through Bills 45 and 127 which received Royal Assent on June 29 and December 5, 2001, respectively.

General Step-by-Step Approach

To assist corporations in correctly completing their capital tax calculation, a general step-by-step approach and 3 examples illustrating the application of this approach have been provided in Appendix A (page 32) of this guide.

Notes:

1) Connected Partnerships

- Corporations that are members of a connected partnership may be required to make an adjustment when determining the REDUCTION to which they are entitled. Generally speaking, two partnerships are connected when more than 50% of the income or loss of one of the partnerships is allocated to a particular person or particular group of persons and more than 50% of the income or loss of the other partnership is also allocated to the particular person, particular group of persons or a corporation that is associated with the particular person or any member of the particular group of persons. Corporations should contact the Canada Revenue Agency at the numbers listed on page 3 of this guide for instructions on calculating the adjustment.

2) Short Taxation Year

- Capital tax payable is prorated for corporations that have taxation years of less than 365 days. The proration is accomplished by multiplying the capital tax otherwise payable by the ratio of the total number of days in the taxation year to 365.

3) Floating Taxation Year

- A floating taxation year refers to a taxation year that does not end on the same date each year. For example, a corporation may have a floating taxation year that ends on the last Saturday in December each year. As a result, in 2000 the number of days in such a corporation's taxation year would be 371 days and in 2001 would be 364 days. These situations, and in similar situations are considered to be full taxation years. In cases where the taxation year is less than 365 days, solely as a result of a floating taxation year, it is **not** considered to be a short taxation year and capital tax would not be reduced. If a corporation, which normally has a floating taxation year, has a short taxation year the corporation would use 365 days (no adjustment for a leap year).

  Corporations with a floating taxation year where more than one capital tax rate is applicable and a proration calculation based on the number of days in a period is required must use the actual number of days in the floating taxation year and not 365 to compute the proration.

Recent changes to paid-up capital and investment allowance, introduced in the 1998, 1999 and 2001 Ontario Budgets are listed below (no changes were made in the 2000 Budget):

2001

Paid-up Capital

- The Act adopts modern accounting terminology to say that a reserve for future tax liabilities is included in paid-up capital. The Act also codifies the administrative practices whereby paid-up capital is permitted to be reduced for a deficit, a deferred tax debit balance, a future tax asset and an unrealized foreign exchange loss. These measures received legislative authority through Bill 127 which received Royal Assent on December 5, 2001.

Investment Allowance

- The Act clarifies that an amount paid in advance for the right to use property is an eligible investment if it is an eligible investment for purposes of the large corporations tax, effective for taxation years ending after October 30, 1998. This measure received legislative authority through Bill 127 which received Royal Assent on December 5, 2001.

1999

Investment Allowance

- The following investments issued by a corporation that would be considered to be a financial institution if it carried on business in Canada and had been incorporated in Canada (referred to as a foreign financial institution) are eligible for the investment allowance:

  a. shares;

  b. long-term debt;

  c. bankers' acceptances that are issued for a term of at least 120 days and are held by the corporation for at least 120 days before the end of its taxation year.

- Investments in deposits, term deposits, investment certificates, loans and advances and other short/ medium term obligations of foreign financial institutions are no longer eligible. This measure is effective for taxation years ending after December 14, 1999.

1998

Paid-up Capital

- Deferred revenue is included in paid-up capital where it would also be included in paid-up capital for the purposes of the federal large corporations tax. Deferred revenue representing a deposit paid for future delivery of goods or services on income account of the payer, is no longer excluded from paid-up capital, effective for taxation years ending after October 30, 1998.

Investment Allowance

- Any deposit paid for delivery of goods or services is an eligible investment if the deposit is an eligible investment for the purposes of the federal large corporations tax, effective for taxation years ending after October 30, 1998. Previously, only deposits for delivery of goods or services on account of capital were allowed as eligible investments.

- The following investments issued by Canadian financial institutions are eligible for the investment allowance:

  a. shares of the financial institution;

  b. long-term debt;

  c. bankers' acceptances that are issued for a term of at least 120 days and are held by the corporation for at least 120 days before the end of its taxation year.

- Investments in deposits, term deposits, investment certificates, loans and advances, and other short/ medium term obligations of Canadian financial institutions are no longer eligible. Effective for taxation years ending after October 30, 1998.

- Investments in a stripped interest coupon is an eligible investment where the underlying bond is an eligible investment. Effective for taxation years ending after October 30, 1998.

- Shares, bonds and lien notes issued to a related corporation (with a different taxation year end) less than 120 days before the end of the corporation's taxation year as part of a series of investments and repayments or redemptions, do not qualify as eligible investments for investment allowance purposes, for taxation years ending after October 30, 1998. This rule is an extension of the 1997 amendment for loans and advances to related corporations.

Capital Tax: Financial Institutions
(Page 13)

Financial institutions are required to complete the capital tax calculation for financial institutions on page 13. These financial institutions are required to calculate capital tax in accordance with Division B.1. Schedules detailing the calculations for the amounts used on page 13, lines [565] and [570] should be retained by the financial institution.

A financial institution is defined to include:

- banks;
- registered securities dealers;
- mortgage investment corporations;
- credit unions (other than a central credit union or league prescribed by regulation);
- corporations authorized under the laws of Canada or a province to accept deposits from the public and carry on the business of lending money;
- corporations that are authorized under the laws of Canada or a province to carry on the business of offering their services as a trustee to the public; and
- any other corporation which is prescribed by regulation to be a financial institution.

The 2001 Ontario Budget announced that technical changes would be made to the Act:

- The Act adopts modern accounting terminology to say that paid-up capital is reduced by a future tax asset, as well as by a deferred tax debit balance.
- In line with changes to the *Income Tax Act* (Canada), "authorized foreign banks" must pay capital tax effective from June 28, 1999. An authorized foreign bank is defined by section 2 of the *Bank Act* and in general terms is a foreign bank authorized to operate in Canada through a branch. Paid-up capital of an authorized foreign bank is computed in the same manner as for the federal large corporations tax. The investment allowance of an authorized foreign bank is computed in the same manner as for other financial institutions under the Act with two exceptions. First, an investment made by an authorized foreign bank is not eligible if the investee corporation is exempt from capital tax. Second, an authorized foreign bank does not qualify for the full investment allowance discussed under "Investments in Related Financial Institutions".
- These measures received legislative authority through Bill 127 which received Royal Assent on December 5, 2001.

Capital Tax Rates - Financial Institutions

The rates of capital tax payable by financial institutions (excluding credit unions) are:

Deposit-taking Institutions and Related Corporate Financial Institutions (other than a credit union)

- 0.6 % of the lesser of its adjusted taxable paid-up capital (ATPUC) in accordance with Division B.1 and its Basic Capital Amount multiplied by the corporation's Ontario allocation factor; and
- 0.9 % of its ATPUC in excess of the Basic Capital Amount multiplied by the corporation's Ontario allocation factor.

Non Deposit-taking Institutions (other than credit unions) that are not related to a deposit-taking institution in the taxation year.

- 0.6 % of the lesser of its ATPUC and the Basic Capital Amount, multiplied by the corporation's Ontario allocation factor; and
- 0.72 % of its ATPUC in excess of the Basic Capital Amount multiplied by the corporation's Ontario allocation factor.

Capital Deduction used to calculate ATPUC

The 2001 Ontario Budget introduced a proposal to increase the capital deduction from $2 million to $5 million for taxation years ending after September 30, 2001.

- Where the financial institution is not related at any time in the taxation year to another corporation that is a financial institution with a permanent establishment in Canada and that is not exempt from capital tax by virtue of s.71(1) of the Act, the financial institution receives the entire deduction.
- Where the financial institution is related, the deduction is prorated by multiplying it by the fraction obtained in dividing the financial institution's taxable capital employed in Canada for the taxation year by the aggregate amount of taxable capital employed in Canada by all related financial institutions with permanent establishments in Canada that are not exempt from capital tax by virtue of s.71(1).
- Where the taxation year straddles October 1, 2001, the capital deduction equals the sum of $2 million times the number of days in the taxation year before October 1, 2001 divided by the number of days in the taxation year, plus $5 million times the number of days in the taxation year after September 30, 2001 divided by the number of days in the taxation year.
- This measure received legislative authority through Bills 45 and 127 which received Royal Assent on June 29 and December 5, 2001, respectively.

Credit Unions that are Financial Institutions

Effective May 5, 1999, credit unions that are financial institutions are exempt from capital tax. For taxation years straddling May 4, 1999, the amount of capital tax payable will be the tax determined using the rules and rates as they read on May 4, 1999 multiplied by the ratio of the number of days in the taxation year that are before May 5, 1999 to the total number of days in the taxation year.

The rates of capital tax payable by credit unions that are financial institutions for taxation years commencing before May 5, 1999 are:

- 0.05% of taxable paid-up capital for the ratio that the number of days in the taxation year after December 31, 1997 and before January 1, 1999 are to the total number of days in the taxation year multiplied by the corporation's Ontario allocation factor; and
- 0.1% of taxable paid-up capital for the ratio that the number of days in the taxation year after December 31, 1998 and before May 5, 1999 are to the total number of days in the taxation year multiplied by the corporation's Ontario allocation factor.

Investments in Related Financial Institutions

The 1999 Ontario Budget announced a change in the computation of a financial institution's investment allowance for certain corporations. Effective on or after May 7, 1997, a financial institution is allowed to claim a full investment allowance for investments in shares and long-term debt of related financial institutions and insurance corporations in Canada, whether or not they have a permanent establishment in Ontario, provided that the financial institution claiming the investment allowance allocates all its capital to Ontario and is not controlled directly or indirectly by another financial institution. This full investment allowance does not apply to a financial institution that is an authorized foreign bank.

Small Business Investment Tax Credit (SBITC) for Financial Institutions

The SBITC allows certain financial institutions and credit unions to reduce their capital tax liability by making eligible investments to qualifying small businesses. The credit includes a 30% tax credit for investments in the equity capital of Community Small Business Investment Fund Corporations (CSBIFCs) that are made after May 6, 1997 and before January 1, 2000.

An additional 30% tax credit may be claimed by a financial institution when the CSBIFC reinvests the capital in eligible investments under the *Community Small Business Investment Funds Act* in the taxation year. In order to claim the tax credit, in respect of investments made in CSBIFCs, a financial institution **must** obtain an approval letter by applying in writing to:

Ministry of Finance
Corporations Tax
PO Box 627
33 King Street West
Oshawa ON L1H 8H5

The approval letter must be attached to the CT23 for the year in which the tax credit is claimed.

Premium Tax (Page 13)

1) Uninsured Benefit Arrangements

Complete this section if you administer Ontario-related Uninsured Benefit Arrangements (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 page 13, line [587] and the related amount of premium tax on page 13, line [588]. Insurance corporations should use the CT8 tax return to calculate this tax.

If an UBA plan has more than one administrator at the same time, an administrator may file an election in a letter form with its CT23 to account for all tax owing for the plan. The letter must include the name of the plan, names and addresses 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 CT23 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.

2) Insurance Placed With Unlicenced Insurer

Complete this section if you are:

a. an Insurance Broker who currently files a CT23 and who has placed an insurance contract with an unlicenced insurer; or

b. a corporation that has purchased insurance directly from an unlicenced insurer.

Enter the total premium tax on premiums paid in the taxation year on page 13, line 588. Attach a schedule to the CT23, showing the calculation of the premium tax.

Premium tax on insurance placed with unlicenced insurers is collected under the *Corporations Tax Act* for premiums paid to a broker during its taxation year commencing after 1997.

Reconciliation of Net Income (Loss) for Federal Tax Purposes to Ontario (if different) (Page 14 and 15)

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

Transfer the net income (loss) determined on page 15, line [690] to page 4 of the CT23.

The following changes were introduced in the 1998, 1999 and 2000 Ontario Budgets.

Royalties

(Page 14 of the CT23)

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

This is regardless of whether a tax treaty exempts the royalty from federal withholding taxes under the *Income Tax Act* (Canada).

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

The 2001 Ontario Budget and announcement by the Premier on October 1, 2001, introduced changes to the add-back rate for management fees, rents and other payments to non-arm's length non-residents as a result of the reduction in the Ontario corporate income tax rate. The 2002 Budget and Bill 2 rescheduled these rates. The following schedule provides details of these 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	October 1, 2001 to December 31, 2002
5/12.5	2003 calendar year
5/14	2004 calendar year and thereafter

Incentives for New Electricity Supply (Page 14 of the CT23)

On November 12, 2002, Ontario proposed several initiatives to increase the supply of electricity generated from alternative or renewable sources.

Deduction from income for New Electricity Supplies (line [674])

Under new section 13.6 of the Act, a corporation that produces electricity from alternative or renewable sources of energy can deduct, in computing its business income for a taxation year, an amount in respect of income earned after November 25, 2002 from the generation of new supply from a qualifying electricity generating facility. A qualifying generating facility would be a facility that (a) commences generating electricity from an alternative or renewable source of electricity after November 25, 2002 and before January 1, 2008 or (b) that is designated by the ministry in accordance with prescribed criteria, and the facility satisfies the conditions prescribed by the Minister. This tax holiday, effective December 9, 2002, would be available for ten years, commencing with the first taxation year in which the incentive is claimed.

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 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 his or her delegate may determine which property qualifies for the fast write-off.

Workplace Child Care Tax Incentive (WCCTI) (Page 15, 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 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.

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

Workplace Accessibility Tax Incentive (WATI) (Page 15, line [668])

The Workplace Accessibility Tax Incentive (WATI), introduced in the 1998 Ontario Budget, provides a deduction in respect of qualifying expenditures incurred after July 1, 1998. 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.

Ontario School Bus Safety Tax Incentive (OSBSTI) (Page 15, line [671])

The Ontario School Bus Safety Tax Incentive (OSBSTI), introduced in the 1999 Ontario Budget, is a 30% deduction of the capital cost of acquiring a new school bus. The school bus must be included in class 10 of Schedule II of the regulations for purposes of the *Income Tax Act* (Canada). The OSBSTI can only be claimed once in respect of the acquisition and is in addition to the deduction available for income tax purposes with respect to the capital cost allowance. For a multi-jurisdictional corporation, the incentive is grossed up by the corporation's Ontario allocation factor. A new school bus eligible for the incentive is one defined under subsection 175(1) of the *Highway Traffic Act* that conforms to the CSA standard D250-1998. The school bus must be used primarily to transport students to and from school in Ontario. It must be acquired after May 4, 1999 and before May 5, 2002.

The 2002 Ontario Budget introduced 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 003, dated June 2000.

Educational Technology Tax Incentive (ETTI) (Page 15, line [673])

The Educational Technology Tax Incentive (ETTI), introduced in the 2000 Ontario Budget, is a 15% deduction calculated on the amount of a price discount given or a donation made after May 2, 2000 to an eligible Ontario community college or eligible Ontario university with respect to new eligible teaching equipment and new eligible 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 this 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 16 of the CT23 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.

Tax Incentive for Investing in Ontario Jobs and Opportunity Bonds (Page 15, line [664])

The tax incentive to which a corporation is entitled under subsection 37.1(2) of the Act in respect of the interest received or receivable by it on an Ontario Jobs and Opportunity Bond in a taxation year is the amount of interest received or receivable which is otherwise to be included in income under section 12 and subsection 20(14) of the *Income Tax Act* (Canada) less any accrued interest otherwise deducted under subsection 20(14) of the *Income Tax Act* (Canada).

Bonds are often sold between interest dates so that at the time of transfer from the transferor to the transferee, some interest has accrued. Under subsection 20(14) of the *Income Tax Act* (Canada), if the transferee corporation includes the total interest received in its income than it may deduct the portion of interest accrued prior to the transfer.

Continuity of Losses Carried Forward - Analysis of Balance by Year of Origin (page 16)

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

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 17)

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 17)

In the summary section, bring forward the amounts of Income Tax, Corporate Minimum Tax, Capital Tax and Premium Tax and enter the total on page 17, line [950]. Enter payments made on page 17, line [960]. Mutual fund corporations may enter their Ontario Capital Gains Refund amount on page 17, line [965]. Corporations may enter their QET on page 17, line [985]. If claiming the Specified Tax Credits, enter the unapplied amount (see Specified Tax Credits section) on page 17, 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.

The 2001 Ontario Budget introduced proposals to adjust the calculation of the capital gains refund of a mutual fund corporation for taxation years ending after February 27, 2000. This adjustment reflects changes to the rate at which capital gains are included in income (66 2/3% for capital gains realized after February 27, 2000 and 50% for capital gains realized after October 17, 2000) and changes to the corporate income tax rate (see page 14 of this guide).

Certification (CT23) (Page 17)

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 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 23 or 24). 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)
- Corporation's Legal Name and Mailing Address
- 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, secretary, treasurer, general manager, etc..

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 provided
Director/Officer Information	**complete all fields where applicable**
Full Name and Address for Service: • Last Name • First Name • Middle Name(s) • Street Number and Name • Suite • City/Town/Village • Province/State • Country • Postal/Zip Code	
Director • Resident Canadian Yes or No • Date Elected • Date Ceased	**complete all fields where applicable** • check applicable box (applies for directors of business corporation only) • insert the date the individual became a director • insert the date the director ceased to hold their position
Officer • Date Appointed • Other (specify) • Date Ceased • Other (specify)	**complete all fields where applicable** • 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 provide
Chief Officer/Manager Information Full Name and Office Address of the Chief Officer/Manager in Ontario: • 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:	**complete all fields where applicable**
• Date Appointed • Date Ceased	• insert the date the Chief Officer/Manager was appointment • insert the date the Chief Officer/Manager ceased their appointment
Indicate if the Agent for Service is an Individual or a Corporation: • Individual • 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 No. • Care Of • Street Number and Name • Suite • City/Town/Village • Province • Country • Postal Code	• enter a check mark if applicable • complete all fields where applicable

Appendix A

A Step-by-Step Approach to Completing the Capital Tax Calculations

Recent Ontario Budgets introduced major changes to capital tax. The changes impact the calculation of capital tax for many corporations for taxation years commencing after September 30, 2001. See pages 21 and 22 of this guide for details. Corporations may, use the following general step-by-step approach to assist them in calculating capital tax.

STEP 1
- Determine which of sections A, B or C applies to your corporation.
- You should review the sections and subsections in sequence

STEP 2
- If you are required to complete section C, you must determine if section C1 or C2 applies and check off the appropriate box, 509 or 524.

STEP 3
- If section C1 applies and the corporation's taxable capital exceeds $5,000,000, complete section D.
- If section C2 applies and the election under subsection 69(2.1) is not filed, complete sections C and D.
- If section C2 applies (with the corporation's taxation year ending after December 31, 2002) and the election under subsection 69(2.1) is filed, complete section E.

STEP 4
- Calculate your capital tax liability using the subsection within A, B, C, D, or E that applies to your corporation.

STEP 5
- Continue your calculations, transfer your total capital tax liability to box 543 on page 12 of the CT23.

The following examples illustrate the application of the step-by-step approach.

Example #1

ABC is a manufacturing company with the following financial information:

- taxation year commences on October 1, 2001
- taxation year ends on September 30, 2002
- # of days in the taxation year are 365
- Ontario allocation is 50%
- gross revenue is $9,000,000
- total assets (as adjusted) are $7,600,000
- taxable capital is $6,000,000

ABC is not associated with any other corporations nor is it a member of a partnership.

Solution for Example #1

STEP 1
- Because ABC is not associated with other corporations or partnerships, it reviews sections B1 to B3.
- ABC determines that neither section B1 nor section B2 applies. However, section B3 applies since its taxable capital exceeds $5,000,000.

STEP 2
- Because ABC is not associated with other corporations or partnerships, it does not complete section C, D, or E.

STEP 3
- ABC begins to calculate its capital tax payable for the year by following the calculation under section B3.
- ABC calculates the amount for box 471 by deducting $5,000,000 from the amount of its taxable capital, box 470. The amount for box 471 is therefore $1,000,000.
- ABC then completes the rest of section B3 using its Ontario allocation and number of days in its taxation year. $1,000,000 x 50% x 0.3% x 365/365. The amount calculated for box 523 is therefore $1,500, which is then transferred to box 543 on page 12, being the amount of capital tax (before application of specified tax credits).
- ABC then arrives at the capital tax payable by following the instructions on page 12 and completes the CT23 from that point.

Solution for Example #1

B3. If taxable capital, 470 on page 10 exceeds $5,000,000, complete the following calculation and transfer the amount From 523 to 543 on page 12, and complete the return from that point.

+ From 470	6,000,000											
-	5,000,000											
= 471	1,000,000	X	From 30	5 0 0 . 0 0 0 Ontario Allocation	%	X	0.3%	X	555	365 Days in taxation year **365 (366 if leap year)	= + 523	1,500 Transfer to 543 on page 12 and complete the return from that point

*** If floating taxation year, refer to Guide*

Example #2

XYZ is a manufacturing company with the following financial information:

- taxation year commences on October 1, 2001
- taxation year ends on September 30, 2002
- # of days in that taxation year are 365
- Ontario allocation is 100%
- gross revenue is $4,000,000
- total assets (as adjusted) are $2,600,000
- taxable capital is $2,000,000

XYZ is associated with AAA corporation, a retailer with the following financial information:

- taxation year ends on August 31, 2002
- # of days in that taxation year are 365
- Ontario allocation is 100%
- gross revenue is $9,000,000
- total assets (as adjusted) are $7,600,000
- taxable capital is $6,000,000

Solution for Example #2

STEP 1 • Because XYZ is associated with another corporation, it reviews section C.

STEP 2 • Because AAA has a permanent establishment (PE) in Canada, section C2 applies. Box 524 should be checked off.

STEP 3 • Because XYZ's taxation year ends before January 1, 2003, it has to complete the calculation below section C2 on page 11.

- Because AAA's 2002 taxation year ending August 31, 2002 is its last taxation year ending during XYZ's 2002 taxation year, the taxable capital for that year is to be added to 540 . In this case, because the aggregate taxable capital is $8,000,000, it continues to calculate its share of the $5,000,000 exemption in order to calculate its Capital Tax for the taxation year under section D on page 12.

STEP 4 • XYZ's share of the $5,000,000 exemption is that proportion of the exemption that its taxable capital is of the aggregate taxable capital. In other words, divide XYZ's taxable capital by the aggregate taxable capital, then multiply result by the $5,000,000 exemption. Transfer the resulting amount, box 541, to box 542 in section D on page 12. In this case, the amount for box 541 is $1,250,000 ($2,000,000 / $8,000,000 x $5,000,000).

STEP 5 • XYZ continues the calculation by completing section D on page 12.

- XYZ subtracts its share of the $5,000,000 exemption, the amount for box 542, from its taxable capital and put the result in box 471. The amount for box 471 is $750,000 ($2,000,000 - $1,250,000).
- XYZ then completes the rest of section D using its Ontario allocation and number of days in its taxation year. $750,000 x 100% x 0.3% x 365/365. The amount calculated for box 523 is therefore $2,250, which is then transferred to box 543, being the amount of capital tax (before application of specified tax credits).
- XYZ then arrives at the capital tax payable by following the instructions on page 12 and completes the CT23 from that point.

Sample for Example #2

C2. ✔ 524 (✔ if applicable) One or more of the corporations that you are associated with maintain a permanent establishment in Canada.

If the taxation year ends before January 1, 2003, you must complete the *Calculation* below.

If the taxation year ends after December 31, 2002, you and your associated group may continue to allocate the $5,000,000 taxable capital exemption by completing the *Calculation* below. Or, the associated group may file an election under subsection 69(2.1) of the Corporations Tax Act, whereby total assets are used to allocate the taxable capital exemption among the assocated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (henceforth referred to as "Net Deduction") of the $15,000 capital tax effect relating to the $5,000,000 taxable capital exemption, to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.

The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.

In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on whatever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

Calculation ***Do NOT complete this calculation if ss.69(2.1) election is filed***

Taxable Capital From 470 on page 10 - + From 470 **2,000,000**

Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) 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
AAA Corporation	**999 9999**	**August 31, 2002**	+ 531	**6,000,000**
			+ 532	
			+ 533	
Aggregate Taxable Capital 470 + 531 + 532 + 533, etc.			= 540	**8,000,000**

If 540 above is $5,000,000 or less, the corporation's Capital Tax for the taxation year is NIL.
Enter NIL in 523 in section D on page 12, as applicable.

If 540 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 taxation year under Section D on page 12.

From 470 **2,000,000** ÷ From 540 **8,000,000** X 5,000,000 - - - - - - - = 541 **1,250,000**

Transfer to 542 *in Section D on page 12*

SECTION D.

This section applies if the corporation IS a member of an associated group and/or partnership whose total AGGREGATE taxable capital, 540 on page 11, exceeds $5,000,000.

Complete the following calculation and transfer the amount From 523 to 543, and complete the return from that point.

+ From 470 **2,000,000**

\- 542 **1,250,000**

= 471 **750,000** X From 30 **100.0000** % X 0.3% X 555 **365** (Days in taxation year) - - - - = + 523 **2,250** (Total Capital Tax for the taxation year)

Ontario Allocation

**365 (366 if leap year)

Transfer to 543 on page 12 and complete the return from that point

Example #3 (the alternative method of allocating the $5 million deduction among associated corporations)

XYZ is a manufacturing company with the following financial information:

- current taxation year commences on April 1, 2002
- current taxation year ends on March 31, 2003
- # of days in the current taxation year are 365
- Ontario allocation for the current taxation year is 80%
- Ontario allocation for the last taxation year ending in the immediately preceding calendar year (i.e. taxation year ending March 31, 2002) is 70%
- total assets (as adjusted) for the current taxation year are $3,600,000
- total assets (as adjusted) for the taxation year ending March 31, 2002 are $3,000,000
- taxable capital for the current taxation year is $2,000,000

XYZ is associated with AAA corporation, a retailer with the following financial information:

- current taxation year commences on March 1, 2002
- current taxation year ends on January 31, 2003
- # of days in the current taxation year are 337
- Ontario allocation for the current taxation year is 90%
- Ontario allocation for the last taxation year ending in the immediately preceding calendar year (i.e. taxation year ending February 28, 2002) is 60%
- total assets (as adjusted) for the current taxation year are $7,600,000
- total assets (as adjusted) for the taxation year ending February 28, 2002 are $6,000,000
- taxable capital for the current taxation year is $5,000,000

Solution for Example #3

STEP 1 • Because XYZ is associated with another corporation, it reviews section C.

STEP 2 • Because AAA has a permanent establishment (PE) in Canada, section C2 applies. Box 524 should be checked off.

STEP 3 • Because XYZ's taxation year ends after December 31, 2002, it may complete the calculation below section C2 on page 11 to allocate the $5,000,000 exemption (as in Example #2) OR the associated group **may file an election** under subsection 69(2.1) of the *Corporations Tax Act*, whereby total assets from the last taxation year ending in the immediately preceding calendar year are used to allocate the taxable capital exemption among the associated group.

STEP 4 • It is assumed that the associated group files the election. XYZ should check off box 591, complete the CT23 Schedule 591, "Capital Tax Election of Associated Group Agreement for Allocation of $5,000,000 Exemption", and attach it to the CT23 Return.

- On Schedule 591, the Net Deduction for XYZ and AAA is calculated. For XYZ, the Net Deduction is calculated as follows: 70% x $15,000 x $3 million / $9 million = $3,500 For AAA, the Net Deduction is calculated as follows: 60% x $15,000 x $6 million / $9 million = $6,000.

- The associated group's Total Net Deduction is therefore $9,500.

- The group may, at its option, reallocate the group's total Net Deduction among the group on whatever basis the group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the group.

- It is assumed that the group would like to reallocate the Net Deduction amounts. XYZ opts for $4,500 and AAA for the remaining $5,000. Having arrived at the amounts in box 995 on Schedule 591, XYZ then proceeds to section E on page 12.

STEP 5 • XYZ calculates the amount for box 561 using the taxable capital and Ontario allocation factor in its current taxation year. The amount for box 561 is $4,800 ($2,000,000 x 80% x 0.3%).

- XYZ then deducts its reallocated Net Deduction amount, box 995, from the amount for box 561 calculated above. The resulting amount for box 562 is therefore $300 ($4,800 - $4,500).

STEP 6 • AAA then completes the rest of section E using the number of days in its taxation year. In this case, with 337 days in its current taxation year, the amount for box 563 is $7,848 ($8,500 x 337/365) which is then transferred to box 543, being the amount of capital tax (before application of specified tax credits).

• AAA then arrives at the capital tax payable by following the instructions on page 12 and completes the CT23 from that point.

Capital tax for AAA:

Based on the assumption above that AAA opts for the reallocated Net Deduction amount of $5,000, STEP 5 and 6 for AAA become:

STEP 5 • AAA calculates the amount for box 561 using the taxable capital and Ontario allocation factor in its current taxation year. The amount for box 561 is $13,500 ($5,000,000 x 90% x 0.3%).

• AAA then deducts its reallocated Net Deduction amount, box 995, from the amount for box 561 calculated above. The resulting amount for box 562 is therefore $8,500 ($13,500 - $5,000).

STEP 6 • AAA then completes the rest of section E using the number of days in its taxation year. In this case, with 337 days in its current taxation year, the amount for box 563 is $7,848 ($8,500 x 337/365) which is then transferred to box 543, being the amount of capital tax (before application of specified tax credits).

• AAA then arrives at the capital tax payable by following the instructions on page 12 and completes the CT23 from that point.

Solution for Example #3

C2. ✔ 524 (✔ if applicable) One or more of the corporations that you are associated with maintain a permanent establishment in Canada.

If the taxation year ends before January 1, 2003, you must complete the *Calculation* below.

If the taxation year ends after December 31, 2002, you and your associated group may continue to allocate the $5,000,000 taxable capital exemption by completing the *Calculation* below. Or, the associated group may file an election under subsection 69(2.1) of the Corporations Tax Act, whereby total assets are used to allocate the taxable capital exemption among the assocated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (henceforth referred to as "Net Deduction") of the $15,000 capital tax effect relating to the $5,000,000 taxable capital exemption, to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.

The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.

In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on whatever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

Calculation ***Do NOT complete this calculation if ss.69(2.1) election is filed***

Taxable Capital From 470 on page 10 - - - - - - - - + From 470 ____ •

Determine aggregate taxable capital of an associated group (excluding financial Institutions and corporations exempt from capital tax) 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
			+ 531	•
			+ 532	•
			+ 533	•

Aggregate Taxable Capital 470 + 531 + 532 + 533 , etc. - - - - - - - - = 540 ____ •

If 540 above is $5,000,000 or less, the corporation's Capital Tax for the taxation year is NIL. Enter NIL in 523 in section D on page 12, as applicable.

If 540 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 taxation year under Section D on page 12.

From 470 ____ • ÷ From 540 ____ • X 5,000,000 - - - - - - - = 541 ____ •

Transfer to 542 *in Section D on page 12*

Ss.69(2.1) Election Filed

✔ 591 (✔ if applicable) Election filed. *Attach a copy of the election with this CT23 Return.*
Proceed to Section E on page 12.

Solution for Example #3 con't.

SECTION E.

This section applies if the corporation is a member of an associated group and the associated group has filed a ss.69(2.1) election.

+ From 470 2,000,000 X From 30 80.0000 % X 0.3% (Ontario Allocation)	= +	561	4,800
- Capital tax deduction From 995 relating to your *corporation's* capital tax deduction, on ss.69(2.1) election form	-From	995	4,500
	=	562	300
Capital Tax 562 300 X 555 365 (Days in taxation year; **365 (366 if leap year))	=	523	300

Transfer to 543 on page 12 and complete the return from that point

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

2003 Capital Tax Election of Associated Group Agreement for Allocation of $5,000,000 Exemption

CT23 SCHEDULE 591

Applies to taxation years ending in the 2003 calendar year

The following associated group of corporations includes all the corporations in this associated group (excluding financial institutions and corporations exempt from capital tax) having a permanent establishment in Canada and are hereby making an election under subsection 69(2.1) of the *Corporation Tax Act* to allocate the tax effect (maximum of $15,000) from the group's $5,000,000 exemption from taxable paid-up capital for all taxation years which end in the 2003 calendar year, based on each corporation's total assets and Ontario allocation factor from each corporation's last taxation year ending in the 2002 calendar year.

Corporation having a permanent establishment in Canada	Last taxation year ending in 2002 calendar (YEAR MONTH DAY)	Ontario Allocation A	Total Assets T	Net Deduction A x [$15,000 x (T ÷ X)] ND	Allocation of Net Deduction AND (995)
Corporation Tax Account Number (if applicable): **999 9999**; Corporation Name: **XYZ Corporation**; *Authorized signing officer* Title; Name; Signature	20020331	70	3,000,000	3,500	4,500
Corporation Tax Account Number (if applicable): **999 998**; Corporation Name: **AAA Corporation**; *Authorized signing officer* Title; Name; Signature	20020228	60	6,000,000	6,000	5,000
Corporation Tax Account Number (if applicable); Corporation Name; *Authorized signing officer* Title; Name; Signature					

Total Assets of Associated Group having permanent establishments in Canada	X		9,000,000
Total Net Deductions of Associated Group having permanent establishments in Canada	TND	959	9,500
Total Allocated Net Deductions of Associated Group having permanent establishments in Canada	TAND	994	9,500

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.