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# **Guide** to the 2006 CT23 Corporations Tax and Annual Return



## Information Centre

### Registration & Filing Requirements

English 1 800 263-7965  
 French 1 800 668-5821  
 TTY (Teletypewriter) 1 800 263-7776

### Address Change & Account Numbers

**Ministry of Finance**  
**33 King Street West, PO Box 622**  
**Oshawa ON L1H 8H6**

### Forms & Publications

Hours of Service  
 Monday to Friday  
 8:30 a.m. to 5 p.m.

## Corporations Tax Enquiries

We want to provide you with the best service possible. You can help us answer your questions more quickly if you have all of your information ready. Before contacting us you should do all of the following:

- read the appropriate sections of this Guide;
- read the appropriate sections of other publications we mention in this Guide;
- prepare all the details of your situation and question;
- have on hand the working copy of your CT23, any related papers or receipts, a pencil and some paper; and
- have the following account numbers available:
  - Ontario Corporations Tax Account No. (MOF)
  - Ontario Corporation No. (MGS) (formerly MCBS)
  - Canada Revenue Agency Business Number (CRA)

All forms and schedules discussed in this guide are available at [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

### Accounts

#### Payments, interest and penalties

Toronto (416) 920-9048 ext. 3036, French ext. 6062  
 Oshawa (905) 433-6708  
 Toll-Free 1 800 262-0784 ext. 3036, French ext. 6062  
 Fax (905) 433-5197

### Desk Audit

#### General tax enquiries, (re)assessments, amended returns, loss carry-back requests

Pickering (905) 837-3888 & (905) 837-3889,  
 French (905) 837-3907  
 Toll-Free 1 866 805-7702 ext. 3888 & 3889,  
 French ext. 3907  
 Fax (905) 837-3800

### Returns Processing Centre

#### D-FILE

Toronto (416) 920-9048 ext. 4440  
 Oshawa (905) 436-4440  
 Toll-Free 1 800 262-0784 ext. 4440  
 Fax (905) 433-5287

#### Paper

Toronto (416) 920-9048 ext. 6700  
 Oshawa (905) 433-6700  
 Toll-Free 1 800 262-0784 ext. 6700  
 Fax (905) 433-5287

### Specialty Assessments

#### Specified refundable tax credits

Pickering (905) 837-3814, French (905) 837-3882  
 Toll-Free 1 866 805-7702 ext. 3814, French ext. 3882  
 Fax (905) 837-3824

### Tax Advisory Services Branch Corporations Tax Section

#### Ontario Business-Research Institute Tax Credit (OBRITC) advance rulings

Toronto (416) 920-9048 ext. 6618  
 Oshawa (905) 433-6618  
 Toll-Free 1 800 262-0784 ext. 6618  
 Fax (905) 433-6747

### Tax Roll Services

#### Extra-Provincial Corporations, consent to dissolve, continue or revive.

Toronto (416) 920-9048 ext. 6666; French ext. 6263  
 Oshawa (905) 433-6666  
 Toll-Free 1 800 262-0784 ext. 6666; French ext. 6263  
 Fax (905) 433-5418

### Hours of Service

Monday to Friday 8:30 a.m. to 5 p.m.

### Address:

Ministry of Finance  
 Unit Name (From above)  
 Corporations Tax  
 33 King Street West, PO Box 622  
 Oshawa ON L1H 8H6  
 Website: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

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## Overview

### Format for 2006 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 27 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 7 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 2006 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 – Inf.B.4003R1 or Int.B.3004.  
Copies of these Bulletins may be obtained by calling the ministry's Information Centre at the numbers shown on page 2 or by visiting our website at: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)
- 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 20 pages, including 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 Amendments

### Capital tax deduction and rates

The capital tax deduction will increase and the capital tax rate will decrease (as shown in the table below) until capital tax is fully eliminated on January 1, 2012.

	Jan 1, 2005	Jan 1, 2006	Jan 1, 2007	Jan 1, 2008	Jan 1, 2009	Jan 1, 2010	Jan 1, 2011	Jan 1, 2012
Deduction (\$ Millions)	7.5	10	12.5	15	15	15	15	Eliminated
Rate (%)	0.3	0.3	0.3	0.3	0.225	0.15	0.075	

The 2006 Ontario Budget proposed to cut the current capital tax rates by five per cent, effective January 1, 2007 - two years earlier than the first currently scheduled rate cut.

**At the time of printing the 2006 Ontario Budget proposed measures required passage by the legislature and royal assent to become law.**

### Treatment of Corporations Incorporated Outside Canada

For taxation years ending after May 11, 2005, Ontario corporate tax liability is determined with reference to whether a corporation is resident (rather than incorporated) inside or outside Canada.

### Instalments

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

### Four new tick boxes on page 3 of CT23

The 2006 CT23 Tax Return includes four new tick boxes on page 3. These boxes must be checked if any of the following is applicable:

- first year filing after incorporation or amalgamation;
- first year filing of a parent after winding-up a subsidiary;
- the corporation was involved in a non-arm's length transaction under subsection 85(1) or 85(2) of the ITA;
- Section 83.1 of the CTA applies (redirection of payments for certain electricity corporations).

### New Ontario CT Schedule 24

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

information, refer to the Identification Section, page 12 of this guide.

### New Ontario CT Schedule 44

This schedule is filed by corporations which received all or substantially all (90 per cent or more) of the assets of a non-arm's length corporation in the taxation year, and subsection 85(1) or (2) of the ITA applied. For additional information, refer to the Identification Section, page 12 of this guide.

### Authorizing or Cancelling a Representative

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

### DFILE

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

### Ontario Charitable Donations and Gifts

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

### Ontario Political Contributions

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

## Specified Tax Credits

### Ontario Film and Television Tax Credit (OFTTC)

The OFTTC is increased from 20% to 30% for labour expenditures incurred after December 31, 2004 and increased from 30% to 40% for the first \$240,000 of labour expenditures on a first-time production.

### Ontario Production Services Tax Credit (OPSTC)

The OPSTC is increased from 11% to 18% for labour expenditures incurred after December 31, 2004 and before April 1, 2006.

As announced on February 9, 2006, the Ontario government proposes to extend the 18 per cent tax credit rate for the OPSTC until March 31, 2007.

### Ontario Computer Animation and Special Effects Tax Credit (OCASE)

The OCASE's previous cap of 48% of production costs has been removed for labour expenditures incurred after May 11, 2005.

### Ontario Book Publishing Tax Credit (OBPTC)

Effective for books published after May 11, 2005, the OBPTC is available for more categories of books by replacing the single category for children's books with four categories as follows: children's fiction, children's nonfiction, children's poetry and children's biography.

### Ontario Interactive Digital Media Tax Credit (OIDMTC)

Effective for eligible products completed after May 11, 2005, qualifying corporations no longer need to own at least 90 per cent of the copyright.

The 2006 Ontario Budget proposes to raise the tax credit from 20 per cent to 30 per cent for corporations qualifying under the existing OIDMTC provisions.

The Budget also proposes to extend the eligibility for the OIDMTC at a rate of 20 per cent to multi media developers that exceed the current size test and to fee-for-service work done in Ontario. For further information, please refer to Information Notice 6013.

### Ontario Sound Recording Tax Credit (OSRTC)

The following changes are effective for taxation years ending after May 11, 2005 or for master recordings completed after May 11, 2005:

- The minimum period of time required by an eligible company to carry on a sound recording business is reduced from 24 to 12 months.
- The minimum required playing time for an eligible sound recording is reduced from 40 to 15 minutes.
- A sound recording company is required to market an eligible recording through a 'distribution plan approved by a person designated by the Minister of Culture' instead of an 'established national distributor.'
- The definition of sound recording has been expanded to include a recording made on any fixed medium (e.g., MP3 files).

### Federal Concordance Measure

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

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

## 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 (formerly Canada Customs and 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, Corporations Tax;
- 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 27 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.

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.

### 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 ministry's Information Centre (see page 2 listing).

### 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), the Graduate Transitions Tax Credit (GTTC), or the Apprenticeship Training Tax Credit (ATTC).
- A Family Farm or Fishing Corporation which is not subject to the Corporate Minimum Tax (CMT) may also use the CT23 Short-Form Corporations Tax and Annual Return for a taxation year ending on or after January 1, 2000, if it meets all of the above criteria excluding the total asset and gross revenue test.

The CT23 Short-Form Corporations Tax and Annual Return and the related Guide may be obtained by contacting the ministry's Information Centre, at the address shown on page 2 of this guide or by visiting our website at: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

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## Serving You

General information, brochures and forms may be obtained by contacting the ministry's Information Centre at the numbers listed on page 2 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: [www.fin.gov.on.ca](http://www.fin.gov.on.ca)

## What if you need help to complete this return?

If you need more help after reading this guide, please contact us at the numbers listed on page 2 of this guide.

## Hours of Service

You may call us Monday to Friday, from 8:30 a.m. to 5:00 p.m. at the numbers listed on page 2 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 the Authorizing or Cancelling a Representative form. This form must be signed by an authorized signing officer of the company.

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## 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 7 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 27 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 a CD-ROM or diskette (DFILE) produced with certified software available from certified vendors.

Inf.B.4003R1 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 2 of this guide or you may refer to our website at: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

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.

### 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 one 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 two late filed CT23s within 4 taxation years may be subject to a penalty on the latter return of 10% plus 2% for each full month that the CT23 is late to a maximum of 20 months. For additional details on these penalties, refer to Inf.B.4004R, Penalties and Fines.

## When will we pay or charge interest?

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

#### Notice of (Re)Assessment

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

## Application of Payments

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

## Revised Instalments

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

## Effects of Loss Carry-backs

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

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

## Interest off-set

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

## What should you include with your CT23?

### Paper returns and D-Filed returns

The ministry prefers corporations to file the financial statements prepared for the shareholders of a corporation (Refer to Inf.B.4002R1). However, the ministry will normally accept a hard copy of the General Index of Financial Information (GIFI).

Where the GIFI is filed, the ministry may request financial statements in the form specified by the legislation (see paragraphs 2 and 3 of Inf.B.4002R1) 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 federal *Income Tax Act* 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's Information Centre at the numbers listed on page 2 of this guide, or refer to our website at [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

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

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

For information on what should be included with your Annual Return, please see page 27 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 online tax payment service available 24 hours a day, seven days a week, whereby a corporation can remit tax payments through its financial institution's website.

### 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** below.)
- **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** below.)

### 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.

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

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

### Monthly instalments

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

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

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

When calculating instalments, if one of the previous two taxation years used to calculate the instalment was less than 365 days, the tax payable for the year must be grossed up to a full 365 days. For taxation years beginning after December 31, 2005, if one of the previous taxation years was less than 183 days, the tax for that year is substituted by the greater of:

- the tax payable grossed up to 365 days; and
- the tax payable for the last preceding year that did exceed 182 days.

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

For taxation years beginning after December 31, 2005, when a corporation is involved in a wind-up or rollover, it must include the subsidiaries' tax liabilities or the transferor corporations' tax liabilities, in the calculation 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 the business limit for Ontario purposes refer to page 13) 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., \$400,000 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 Corporations Tax Accounts Enquiry lines at the numbers listed on page 2.

## 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, be allowed to settle any related debt by making full payment including interest.

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

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

For more information, please obtain a copy of the ministry's Voluntary Disclosure Bulletin dated January 2004, by contacting the ministry's Information Centre at the number shown on page 2 of this guide or by downloading a copy from our website at: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

## 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 27 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 Corporations Tax (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. **A 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.

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## 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.

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## 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  
Desk Audit Section  
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'.

## First-time Filer After Incorporation, Amalgamation or Winding-up of a Subsidiary into a Parent

### First Return of a New Corporation

For corporations filing for the first time after incorporation or amalgamation, Ontario CT Schedule 24 is required to be completed. This Schedule is essentially the same as Federal Schedule 24. The type of corporation must be identified if it has unusual characteristics and is one of the types listed. If it is not one of the types listed, the 'other' box should be chosen.

### Amalgamated Corporations

If the return is the first of an amalgamated corporation, Ontario CT Schedule 24 is required to be filed and the names and Ontario Corporations Tax Account numbers of each predecessor corporation provided.

### Corporations with Subsidiaries Wound Up in the Year

If the return is the first of a parent corporation after the winding-up of a subsidiary corporation, Ontario CT Schedule 24 is required to be filed and the names and Ontario Corporations Tax Account numbers of each predecessor corporation provided.

### Non-arm's Length Acquisition of Property

Where all or substantially all (90 per cent or more) of the assets of a non-arm's length corporation have been received in the taxation year, and subsection 85(1) or (2) of the federal *Income Tax Act* applies, Ontario CT Schedule 44 is required to be filed by the transferee corporation. The Schedule requires the name and Ontario Corporations Tax Account number of the transferor.

## 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 the Ministry of Government Services, Companies branch, at 1 800 361-3223, to reflect this status change on the Ontario public record. For additional details on corporate dissolutions, refer to Inf.B.4006R1 and to our website at: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

### 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 over-payment and/or a specified refundable tax credit by entering check marks in the appropriate boxes (see page 14 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 corporate income tax rate increased from 12.5% to 14%, effective January 1, 2004. For a taxation year that straddles an effective date, the rates are prorated.

On page 4, line  enter the amount of the corporation's Income Tax that you determine. Enter NIL, if reporting a noncapital loss.

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

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

If applicable, please complete the federal business limit determined prior to the application of fed.s.125(5.1) as used in calculating the Incentive Deduction for Small Business Corporations (IDSBC) on page 4, line .

If claiming an IDSBC, check the YES box and complete lines , , ,  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 .

The table below outlines the changes to the IDSBC rates, the surtax rates and the applicable periods to which the rates apply.

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

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

Attach CT23 schedule 17 showing the Additional Deduction for Credit Unions on page 6, line .

The following table provides the details of the rates for the Additional Deduction for Credit Unions 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.

Rate for Additional Deduction for Credit Unions	Applicable Period
7.0%	2003 calendar year
8.5%	2004 calendar year and thereafter

For the Manufacturing and Processing Profits Credit on page 6, line [160](#), attach Ontario Schedule 27 if the total active business income is greater than \$250,000.

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 11 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](#);
- 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's Information Centre, the telephone numbers on page 2 of this guide or by downloading the form from our website: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

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

The OITC is calculated on qualifying expenditures (annual maximum of \$2,000,000) made in the taxation year for Scientific Research and Experimental Development (SR&ED) carried on in Ontario that are eligible for the federal investment tax credit under fed.s.127.

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

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

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

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

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

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

## Co-operative Education Tax Credit (CETC)

If claiming the CETC, attach CT23 Schedule 113 and 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 most work placements, the maximum employment period is four months. However, if the employment period of a qualifying work placement exceeds four months, there could be more than one qualifying work placement for that particular student. Each four month employment period is considered a separate qualifying work placement each of which qualifies for a maximum of \$1,000.

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

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

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

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 Int.B.3021R, dated May 2006.

Any questions relating to a course that qualifies as a qualifying cooperative education program or qualifying LET program should be directed to the Specialty Assessment Unit (SAU).

## Ontario Film and Television Tax Credit (OFTTC)

If claiming the OFTTC, enter the total tax credit claimed and the name of production on page 7, line 193 and line 204, respectively of the CT23. Attach the original certificate of eligibility received from the Ontario Media Development Corporation.

The OFTTC is a 30 per cent refundable tax credit (20 per cent prior to January 1, 2005) based upon eligible Ontario labour expenditures incurred before January 1, 2010, net of assistance reasonably related to these expenditures, incurred by production companies with respect to Ontario productions. For productions that commenced principal photography on or after March 28, 2003, equity investments from government agencies will no longer be treated as assistance. An enhanced credit rate of 40% on the first \$240,000 of qualifying labour expenditures is available for first time producers. Productions that are shot in Ontario outside of the Greater Toronto Area receive a 10 per cent bonus on all Ontario labour expenditures incurred for productions after May 2, 2000.

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

## Graduate Transitions Tax Credit (GTTC)

If claiming this credit, complete CT23 Schedule 115 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 is a refundable tax credit that applies to qualifying expenditures incurred after May 6, 1997 and before January 1, 2005 in hiring unemployed post-secondary graduates for positions in Ontario.

If the qualifying employment commenced after May 6, 1997, but before January 1, 1998, the GTTC rate is 10%. If the qualifying employment commenced after December 31, 1997 and before July 5, 2004, the following rates apply:

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

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

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

The tax credit may only be claimed by the corporation based on qualified expenditures paid during the first twelve-month period of qualified employment. The credit must be claimed in the taxation year in which the last day of the 12-month period of employment falls. The minimum employment period to qualify for the GTTC is six consecutive months. Consecutive periods of employment by two or more associated corporations is considered to be one continuous period of employment.

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

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

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

Qualifying expenditures are salaries and wages, including taxable benefits, paid or payable to the employee during the first 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 qualifying expenditures have to be incurred prior to January 1, 2005.

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 of Eligibility 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's Information Centre at the telephone numbers on page 2 of this guide or by downloading the form from our website:  
[www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

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

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 the 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 of Eligibility 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 is a 30 per cent refundable tax credit of the eligible Ontario expenditures, net of assistance related to these expenditures, incurred by a qualifying corporation with respect to eligible book publishing activities, up to a maximum tax credit of \$30,000 per book title. For expenditures incurred before May 3, 2000, the maximum credit is \$10,000 per book title.

Qualifying Corporations:

- must be Canadian-controlled in accordance with s.26 to 28 of the *Investment Canada Act* (Canada) throughout the taxation year; and
- must have the principal business activity of selecting, editing and publishing 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 at least 48 pages in length (except a children's book) and be bound as a paperback or a hardcover;
- must be at least 65 percent text to pictures, unless it is a children's book; and
- must be written by a Canadian author who has not authored more than two literary works in an eligible category. (Prior to May 3, 2000, an eligible author must not have authored a previously published literary work in an eligible category.)

For literary works published after May 11, 2005, a children's book author would be an eligible author for the first three works published in each category of children's writing: fiction, non-fiction, poetry, and biography.

#### 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.

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)

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.

The OCASE Tax Credit is a 20 per cent refundable tax credit for eligible Ontario labour expenditures incurred by a qualifying corporation with respect to eligible computer animation and special effects activities (ECA and SEA). Eligible Ontario labour expenditures incurred prior to May 12, 2005 cannot exceed 48% of the cost of eligible activities net of government assistance. However, there is no cap for eligible Ontario labour expenditures incurred after May 11, 2005.

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.

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.

For eligible expenditures after May 11, 2005, the OCASE tax credit is based only on Ontario labour expenditures, net of certain government assistance reasonably related to those expenditures.

## Ontario Business-Research Institute Tax Credit (OBRITC)

Complete the OBRITC claim form - CT23 Schedule 198 and enter the credit on page 7, line 198 if claiming the OBRITC.

The OBRITC claim form can be obtained by calling the ministry's Information Centre at the telephone numbers on page 2 of this guide or by downloading the form from our website: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

The OBRITC, is a 20% refundable tax credit on all qualified research and development expenditures incurred in respect of an eligible research contract entered into between a corporation operating in Ontario and an eligible research institute (ERI).

**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.

The corporation cannot be connected to the ERI.

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;
- a hospital research institute;
- an Ontario Centre of Excellence;
- network of Centres of Excellence (federal); and
- a non-profit organization that is prescribed by the regulations.

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.

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

The OPSTC is an 18 per cent refundable tax credit of the eligible Ontario labour expenditures incurred by a qualifying production company with respect to an eligible production net of assistance relating to such expenditures incurred after December 31, 2004 and before April 1, 2006. For expenditures incurred prior to January 1, 2005 the rate is 11 per cent.

On February 9, 2006, the Ontario government proposed to extend the 18 per cent tax credit rate for the OPSTC until March 31, 2007.

There is no limit on the amount of eligible labour expenditures.

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.

There are 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 and before January 1, 2005.

## 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.

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.

The OIDMTC 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 are 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 OIDMTC includes 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.

A successor corporation may 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, effective for expenditures incurred after June 30, 1998.

Effective for eligible products completed after May 11, 2005, the qualifying corporations no longer need to own at least 90 per cent of the copyright.

The 2006 Ontario Budget proposes to raise the tax credit from 20 per cent to 30 per cent for corporations qualifying under the existing OIDMTC provisions.

The Budget also proposes to extend the eligibility for the OIDMTC at a rate of 20 per cent to multi media developers that exceed the current size test and to fee-for-service work done in Ontario. For further information on the 2006 Ontario Budget, please refer to Information Notice 6013

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's Information Centre at the telephone numbers on page 2 of this guide or by downloading the form from our website: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)

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

The OSRTC is calculated as 20 per cent of qualifying expenditures incurred after January 1, 1999 by an eligible sound recording company with respect to an eligible Canadian sound recording by an emerging Canadian artist or group.

For expenditures incurred after January 1, 1999, the credit is 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 12 months (24 months for taxation years ending prior to May 12, 2005) preceding the taxation year and allocate, in the current taxation year, more than 50% of its taxable income to Ontario. The 12-month test includes time spent as a sole proprietorship and, in the case of a corporate reorganization, time spent by a predecessor corporation.

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

Effective for taxation years ending after May 11, 2005 or for master recordings completed after May 11, 2005:

- The minimum required playing time for an eligible sound recording is reduced from 40 to 15 minutes.
- The requirement that a sound recording company market an eligible recording through an 'established national distributor' is replaced with a more flexible requirement that the company have a 'distribution plan approved by a person designated by the Minister of Culture.'
- The definition of sound recording has been expanded to include a recording made on any other fixed medium (e.g., MP3 files.).

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

## Apprenticeship Training Tax Credit (ATTC)

If claiming the ATTC, attach CT23 schedule 114 and enter the total tax credit claimed on page 7 line [203](#) of the CT23. Enter the total number of apprentices hired on page 7, line [202](#).

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

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

The maximum credit for each eligible apprentice is \$5,000 per year, to a maximum of \$15,000 over the first 36 months of the apprenticeship. The maximum annual tax credit of \$5,000 is pro-rated for the number of days the apprentice is employed (with that employer) during the year.

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

Eligible expenditures are salaries and wages, including taxable benefits, paid after May 18, 2004 and before January 1, 2011 to an eligible apprentice, less any related government assistance received in respect of the eligible apprentice.

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

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## Corporate Minimum Tax (CMT) (Page 8)

Attach CT23 schedule 101 if your Total Assets exceed \$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.4002R1 dated November 2003). 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.4003R1 dated May 2004). Corporations which are unable to obtain the necessary software package to DFILE, may file their tax return using the Ministry of Finance's pre-printed CT23. Complete Schedule 101 only if the corporation is subject to the CMT.

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 the CT23 Schedule 101.

For purposes of CMT, the calculation of the CMT base includes adjustments for elections filed under sections 85 and 97 of the federal *Income Tax Act* (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.

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## 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, 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's Information Centre at the telephone numbers on page 2 of this guide or by downloading from our website: [www.trd.fin.gov.on.ca](http://www.trd.fin.gov.on.ca)
- 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 of all corporate names, amounts and types of investments claimed as Eligible Investments, page 9, lines 402 to 406.

## Exemption from Capital Tax

Unassociated corporations with both total assets and gross revenues of not more than:

- \$1 million, for taxation years ending prior to January 1, 2001;
- \$1.5 million, for taxation years ending after December 31, 2000 and commencing before October 1, 2001;
- \$ 3 million, for taxation years commencing after September 30, 2001

are exempt from capital tax and from the requirement to calculate taxable paid-up capital.

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 22 of this guide for details of the capital tax exemption for credit unions that are financial institutions.)

## General Capital Tax Rate and the Elimination of Capital Tax by 2012

The table on Page 5 of this guide provides for the plan to gradually eliminate capital tax by 2012. Starting January 1, 2005, the \$5 million deduction from taxable capital will be increased by \$2.5 million each year until it reaches \$15 million on January 1, 2008. Starting January 1, 2009, the general capital tax rate of 0.3 per cent will be reduced each year by .07 per cent until the capital tax is fully eliminated on January 1, 2012.

## Taxable Capital Deduction (TCD)

For taxation years ending after September 30, 2001, taxable capital is reduced by the TCD. The TCD amount is as follows:

Applicable Period Taxation year ending –	TCD
after Sept 2001 and before Jan 1, 2005	\$ 5 million
after Dec 31, 2004 and before Jan 1, 2006	\$ 7.5 million
after Dec 31, 2005 and before Jan 1, 2007	\$ 10 million
after Dec 31, 2006 and before Jan 1, 2008	\$ 12.5 million
after Dec 31, 2007 and before Jan 1, 2012	\$ 15 million

The mechanics of the calculation of the TCD does not result in a reduction in taxable capital but in a reduction in the capital tax.

## Deduction from Taxable Paid-up Capital

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 the TCD, 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 the TCD, the deduction is equal to:

$$\frac{\text{TCD} \times \text{Taxable paid-up capital of the corporation}}{\text{Taxable paid-up capital of the associated group}}$$

Effective January 1, 2003, an 'alternative method' to allocate the TCD among a group of associated corporations was introduced. The alternative method allows the group of associated corporations to instead elect to use the group members' total assets in the previous year to allocate the TCD among the associated group. However, once an election is made, each corporation within the associated group must determine

its share of the TCD 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.

If the corporation chooses to make the election, check box  524 on page 11 and complete CT23 Schedule 591 for the applicable year.

## 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 Corporations Tax Section of the Tax Advisory Services Branch at (905) 433-6513 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.

## 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.

### Authorized foreign banks

In line with changes to the ITA, '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'.

## Capital Tax Rates - Financial Institutions

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

Applicable Period	First \$400 million of Taxable Capital	Taxable Capital over \$400 million	
		non-deposit taking	deposit taking
Prior to Jan 1, 2009	.6	.72	.9
Jan 1, 2009	.45	.54	.675
Jan 1, 2010	.3	.36	.45
Jan 1, 2011	.15	.18	.225
Jan 1, 2012	eliminated		

The 2006 Ontario Budget proposed to cut the current capital tax rates by 5 per cent, each year effective January 1, 2007. Refer to Information Bulletin 6013 for further information.

### Taxable Capital Deduction (TCD)

The TCD discussed on page 21 for regular corporations also applies to financial institutions.

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).

### 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

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, 2004.

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:

Manager, Business Investment Plans Section  
Tax Compliance and Regional Operations Branch  
Ministry of Finance  
33 King Street West  
P.O. Box 624  
Oshawa ON L1H 8H5

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

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## Premium Tax (Page 13)

### 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.

## Insurance Placed With Unlicensed 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 unlicensed insurer, or
- b) a corporation that has purchased insurance directly from an unlicensed 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 unlicensed insurers is collected under the *Corporations Tax Act* for premiums paid to a broker during its taxation year commencing after 1997, and for premiums paid directly by a corporation after 1997.

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

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

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

## Resource Allowance (lines [609](#), [617](#) and [659](#))

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

A corporation may claim the resource allowance with respect to profits earned through a partnership where the partnership does not deduct Crown royalties and mining taxes in computing its income. Oil and gas companies can claim depletion deductions from earned depletion pools generated before 1990.

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

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

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

## Other Adjustments

For taxation years beginning after May 6, 1997, income computed for Ontario purposes must be used in determining Ontario resource profits. This will prevent corporations from obtaining a double benefit as a result of claiming both an Ontario incentive deduction and an additional resource allowance on that incentive.

## Management fees (line [613](#))

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

The following schedule provides details of 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	2003 calendar year
5/14	2004 calendar year and thereafter

## Royalties (Page 14)

Effective May 4, 1999, 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 federal *Income Tax Act* (ITA).

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

## Incentives for New Electricity Supply (Page 14)

On November 12, 2002, Ontario proposed several incentives to increase the supply of electricity generated from alternative or renewable sources. However, legislation was recently introduced repealing some of those tax incentives that have not been fully implemented, including the 10-year corporate income tax tax holiday (section 13.6 deduction from income) as well as the immediate 100% write-off for investments in qualifying energy-efficient equipment.

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

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

## Ontario Current Cost Adjustment (OCCA)

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

## Ontario Research and Development Expenditures Deduction

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

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

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

## Ontario New Technology Tax Incentive (ONTTI)

The ONTTI is effective for taxation years ending after May 6, 1997. It allows an immediate write-off, by way of 100% of capital cost allowance, for the cost of qualifying intellectual properties acquired in the course of an intellectual property transfer. Qualifying Intellectual Property includes such things as patents, licences, know-how and other similar property constituting knowledge. The intellectual property must be used primarily for the purpose of implementing in Ontario an innovation or invention in a business carried on in Ontario. The maximum expenditure allowed in a year is \$20 million. For further information see Tax Legislation Bulletin 98-12.

## Workplace Child Care Tax Incentive (WCCTI) (Page 15, line [666](#))

The Workplace Child Care Tax Incentive (WCCTI) 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.

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

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

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

The Workplace Accessibility Tax Incentive (WATI) provides a deduction in respect of qualifying expenditures incurred after July 1, 1998 and before January 1, 2005. The WATI can only be claimed once on a particular qualifying expenditure and is in addition to other deductions available for income tax purposes in respect of the qualifying expenditures. The amount of the WATI for a corporation or partnership of which the corporation is a member, during a particular taxation year is the total of:

1. the expenditures incurred to provide the support services of a sign language interpreter, an intervenor, a note-taker, a reader or an attendant, during a job interview in Ontario; and
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) 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 ITA. 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-M 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 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) is a 15% deduction calculated on the amount of a price discount given or a donation made after May 2, 2000 and before January 1, 2005, to an eligible Ontario community college or 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 15 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 ITA less any accrued interest otherwise deducted under subsection 20(14) of the ITA.

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 ITA, if the transferee corporation includes the total interest received in its income then 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.

Ontario parallels the federal measure that extends the loss carry-forward period for non-capital losses from 7 to 10 years, for losses that arise in taxation years that end after March 22, 2004.

The 2006 Ontario Budget proposes to parallel the Federal measure to extend the carry-forward period for non-capital losses from 10 to 20 years. See Bulletin 6013 for further details.

**Note:** Commencing with the 2001 CT23 tax return capital losses are now shown at 100% of losses (before applying 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;
- and you want the total overpayment, including any related credit interest, to be applied to a particular taxation year, complete the 'Apply to' field but leave line [980](#) blank;
- and you want to apply a specific amount to a taxation year, complete the 'Apply to' field and put the amount in line [980](#). Any remaining balance will be refunded.

The capital gains refund of a mutual fund corporation for taxation years ending after February 27, 2000 is adjusted to reflect changes to the rate at which capital gains are included in income (66<sup>2</sup>/<sub>3</sub>% 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 13 of this guide).

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## 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.

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## 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 18, 19 or 20). 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 a 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 A 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 Corporations Tax 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 found through the MGS website:  
**[www.cbs.gov.on.ca/mcbs/english/5hzpcb.htm](http://www.cbs.gov.on.ca/mcbs/english/5hzpcb.htm)**  
This website will take you to the two primary service providers for electronic filing, OnCorp Direct Inc. and Cyberbahn Inc. 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 MOF. 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 MOF 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 MOF 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. This must consist of

a street name and number, or a rural route and number or a lot and concession number. Post office box is not an acceptable address. Please do not abbreviate City/Town/Village names.

- Ontario Corporations Tax Account No. (MOF)
- Taxation Year Start Date
- Taxation Year End Date
- Answer to the question: **'Has address changed since last filed CT23 Return?'** If yes, please indicate the date of change.
- Date of Corporation's Incorporation or Amalgamation
- Ontario Corporation No. (MGS)
- Canada Revenue Agency Business Number
- Jurisdiction Incorporated (in full, no abbreviations)

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

## What If You Need Help to Complete this Annual Return?

If you need more help after reading this section, please contact the ministry's Information Centre at the numbers listed on page 2 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
<b>Corporation's Legal Name</b>	include all punctuation
<b>Ontario Corporation No. (MGS)</b>	enter your <b>Ontario Corporation No.</b>
<b>Date of Incorporation or Amalgamation</b>	enter your incorporation or amalgamation date in the box provided
<b>Director/Officer Information</b> <b>Full Name and Address for Service:</b> <ul style="list-style-type: none"> <li>• Last Name</li> <li>• First Name</li> <li>• Middle Name(s)</li> <li>• Street Number and Street Name</li> <li>• Suite No.</li> <li>• City/Town/Village</li> <li>• Province/State</li> <li>• Country</li> <li>• Postal/Zip Code</li> </ul>	<b>complete all fields where applicable</b>
<b>Director</b> <ul style="list-style-type: none"> <li>• Resident Canadian 'Yes' or 'No' boxes</li> <li>• Date Elected</li> <li>• Date Ceased</li> </ul>	<b>complete all fields where applicable</b> <ul style="list-style-type: none"> <li>• check applicable box (applies for directors of business corporations only)</li> <li>• insert the date the individual became a director</li> <li>• insert the date the director ceased to hold his/her position</li> </ul>
<b>Officer</b> <ul style="list-style-type: none"> <li>• 'Date Appointed' boxes</li> <li>• 'Other (specify)'</li> <li>• 'Date Ceased' boxes</li> <li>• 'Other (specify)'</li> </ul>	<b>complete all fields where applicable</b> <ul style="list-style-type: none"> <li>• indicate the position currently held by the individual and complete the date appointed as an officer to his/her current position(s)</li> <li>• insert the date the officer was appointed and check the appropriate box under 'other titles'</li> <li>• insert the date the officer ceased to hold his/her position(s)</li> <li>• please specify if 'other titles' apply</li> <li>• 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.</li> </ul>

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