

Instalment Calculations – New Section 507 of Regulation 183 6011

About this Notice On December 8, 2005, amendments to Regulation 183 of the *Corporations Tax Act* (CTA) were filed. These regulations parallel the calculation of instalments under the federal *Income Tax Act* (ITA) when a corporation has been involved in a wind-up, rollover or has a preceding short taxation year that is less than 183 days. The amendments also affect corporations that were subject to the *Electricity Act, 1998* and are now subject to the CTA.

The amendments come into force for taxation years beginning January 1, 2006.

As a result of this amendment, Paragraphs 7 and 8 of Information Bulletin 4007R are incorrect. A revised bulletin will be issued shortly.

Instalments for a short taxation year The instalment base for a preceding taxation year of less than 12 months is currently increased to a 12 month equivalent. The new regulation will require an additional computation if a preceding taxation year is less than 183 days. When a preceding year is less than 183 days, the instalment base will be either the adjusted instalment base for that period or the adjusted base for the first preceding period with more than 182 days, whichever adjusted base is greater.

Wind-ups When a subsidiary corporation is wound up into a parent corporation and subsection 88(1) of the federal *Income Tax Act* applies, the parent corporation will have to include, in addition to its own instalment bases, the instalment bases of its subsidiary.

Rollovers Where all or substantially all, of the property of one corporation has been transferred to a non-arm's length corporation and subsection 85(1) or (2) of the federal ITA applies, the transferee must take into account the instalment bases of the transferor.

Redirection of payments for certain electricity corporations Corporations subject to section 83.1 will calculate instalments using the new rules found in section 507 of the regulation. These rules are the same as described above.

Section 83.1 applies to corporations which were required to make payments in lieu under the *Electricity Act, 1998* but now make corporate tax payments under the CTA

For More Information Please contact the Ministry Information Centre between 8:15 a.m. and 5 p.m. toll free from anywhere in Canada.

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

Website at www.trd.fin.gov.on.ca