



Small Business Guide

to the Most Frequently Asked Tax Questions

November 2007



Ministry of Revenue Tax Offices

Whitby

Service Ontario Centre

590 Rossland Road East
Whitby ON L1N 9G5 905 432-3332
Toll Free English/French: 1 800 668-5810
Facsimile: 905 436-4315

Hamilton

119 King Street West
15th Floor
Hamilton ON L8P 4Y7 905 521-7504
Toll Free English/French: 1 800 263-9229
Facsimile: 905 521-7868

Kitchener

305 King Street West, 1st Floor
Kitchener ON N2G 1B9 519 576-8400
Toll Free English: 1 800 265-2303
Facsimile: 519 571-6100

London

Dufferin Corporate Centre
130 Dufferin Avenue, Unit 400
London ON N6A 6G8 519 433-3901
Toll Free English/French: 1 800 265-1540
Facsimile: 519 661-6618

Mississauga

77 City Centre Drive, Suite 200
Mississauga ON L5B 1M5 905 273-9490
Toll Free English/French: 1 800 265-9969
Facsimile: 905 949-3389

North Bay

447 McKeown Avenue, Suite 102
North Bay ON P1B 9S9 705 474-4900
Toll Free English/French: 1 800 461-1564
Facsimile: 705 495-3805

Oshawa

33 King Street West
PO Box 627
Oshawa ON L1H 8H5 1 800 263-7965
Toll Free English/French: 1 800 263-7965
Facsimile: 905 433-6777

Ottawa

1400 Blair Place, Suite 300
Ottawa ON K1J 9B8 613 746-9200
Toll Free English/French: 1 800 461-4909
Facsimile: 613 842-3593

Sudbury

(payment drop-off only)
199 Larch Street
Suite 102
Sudbury ON P3E 5P9 705 564-6118
Facsimile: 705 564-4499

Thunder Bay

130 South Syndicate Avenue, 3rd Floor
Thunder Bay ON P7E 1C7 807 625-5840
Toll Free English/French: 1 800 465-6699
Facsimile: 807 625-5848

Toronto

5 Park Home Avenue, Suite 200
North York ON M2N 6L4 416 222-3226
Toll Free English/French: 1 888 565-6433
Facsimile: 416 218-3738

Windsor

215 Eugenie Street West, Unit 103
Windsor ON N8X 2X7 519 250-0066
Toll Free English/French: 1 800 465-4021
Facsimile: 519 972-2950

Additional Resources

Ministry Information Centre

- English 1 800 263-7965 (Canada & U.S.)
- French 1 800 668-5821 (Canada & U.S.)
- TTY (Teletypewriter) 1 800 263-7776

Website

www.rev.gov.on.ca

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Introduction



How This Guide Can Help You

If you are starting or currently operating a small business in Ontario, this guide will answer the questions asked most frequently by small businesses regarding their rights and obligations under the tax statutes administered by the Ministry of Revenue.

This booklet will guide you through various aspects of Retail Sales Tax, Corporations Tax and Employer Health Tax, such as registration, tax return filing requirements, tax rates, instalment payment schedules, exemptions and refunds, and what you can do if you wish to object to an assessment or disallowance. In addition, you will find information about some of the ministry's other relevant tax programs. Please refer to the [Glossary of Terms](#) on page 37 if you are unfamiliar with the terms used in this guide.

Ministry of Revenue

The Ministry of Revenue administers Ontario's tax statutes, tax credits and benefit programs and maintains the integrity of Ontario's tax administration system by encouraging voluntary compliance and discouraging non-compliance. In delivering its mandate, the ministry promotes compliance through taxpayer information services and an impartial objections review, while non-compliance and tax evasion are deterred through audits, investigations and collection activities.

One-Window Services

The Ministry of Revenue offers one-window services on provincial tax programs, including Retail Sales Tax, Corporations Tax, Employer Health Tax and Collections through its tax offices. For the telephone number of the tax office in your area, please consult the listing of [tax offices](#) at the front of this guide. **Offices are open from 8:30 a.m. to 5 p.m. Monday to Friday.**

Service Commitments & Standards

The ministry's Service Commitments and Standards in Tax Administration enable taxpayers to measure and report our performance. These service standards are customer-focused and emphasize the commitment of the ministry and its employees to quality service. For more information, visit www.rev.gov.on.ca and access 'About Revenue'.

Compliance Benefits

You can avoid penalties, interest and other sanctions by filing your returns on time and making payments when due. The Ministry of Revenue acknowledges the importance of voluntary compliance in Ontario's tax system by not prosecuting individuals or corporations who voluntarily approach the ministry to correct problems in their past reporting or dealings with the ministry. Anyone who voluntarily discloses a violation of a statute administered by the ministry will be allowed to settle any related debt by making full payment including interest. Disclosure must be made before notification of any proposed enforcement action by the ministry. Refer to [Tax Information Bulletin Voluntary Disclosure](#) available from your local Ministry of Revenue tax office.

Internet

You can obtain many of this ministry's publications and forms, and access 'Online Services' by visiting our Internet site at www.rev.gov.on.ca.

Important Dates

	Retail Sales Tax	Corporations Tax	Employer Health Tax
Return Due	23 days after the return period ends	on or before the last day of the 6 th month following the taxation year end	March 15 th
Instalment Due	n/a	last day of each month	15 th of the month
Notice of Objection	within 180 days from the date the Notice of Assessment/Reassessment or Statement of Disallowance was mailed or personally delivered to you	within 180 days from the date the Notice of Assessment/Reassessment or Statement of Disallowance was mailed or personally delivered to you	within 180 days from the date the Notice of Assessment/Reassessment or Statement of Disallowance was mailed or personally delivered to you
Notice of Appeal	within 90 days from the date the ministry's decision on the Notice of Objection was mailed to you	within 90 days from the date the ministry's decision on the Notice of Objection was mailed to you	within 90 days from the date the ministry's decision on the Notice of Objection was mailed to you



Retail Sales Tax (RST)



Definition

1. What is retail sales tax?

Retail sales tax (RST) or provincial sales tax (PST) is a provincial tax that is imposed on the user or consumer of most goods and certain services used/consumed in Ontario, including prices of admission and insurance premiums.

2. Which services are subject to RST?

The following services are subject to RST in Ontario:

- telecommunication services (e.g., telephone, cable, pay television)
- transient accommodation for less than one month (hotels, motels, bed and breakfasts)
- labour provided to install, assemble, dismantle, adjust, repair or maintain tangible personal property and labour provided to install, configure, modify or upgrade a computer program
- contracts for the service, maintenance or warranty of tangible personal property including a computer program, and
- commercial parking.

Tax Rates

3. What is the tax rate in Ontario?

The general RST rate is eight per cent which applies to most goods and certain services. However, special rates apply to accommodation for a period of less than one month (five per cent), admissions over \$4 (10 per cent), and alcoholic beverages (10 per cent and 12 per cent depending upon the method of distribution).

The Ontario *Retail Sales Tax Act* also levies a tax for fuel conservation (TFFC) that applies to sales and leases of new passenger and sport utility vehicles. A tax of 13 cents per litre is also imposed on brew-your-own beer and wine.

For further information, please refer to the following RST Guides:

- [208 - Tax-Included Pricing](#)
- [301 - Accommodation](#)
- [302 - Alcoholic Beverages](#)
- [303 - Admissions](#)
- [513 - Tax for Fuel Conservation](#)



Retail Sales Tax (RST)

Chattel Tax

4. What is chattel tax?

Chattel tax is RST that is payable on business assets purchased as part of an ongoing business. RST does not apply to real property, fixtures, intangibles such as goodwill, nor to inventory purchased for resale purposes.

For further information, refer to [RST Guide 206 - Real Property and Fixtures](#).

Registration/ Vendor Permit

5. Do I need a Vendor Permit?

You must obtain an RST Vendor Permit if you:

- regularly sell taxable goods
- regularly provide taxable services
- regularly sell insurance
- charge more than \$4 admission to a place of amusement
- are a manufacturing contractor, that is, the manufactured cost of goods you use in real property contracts is more than \$50,000 in any fiscal year
- are a non-resident contractor doing business in Ontario
- sell taxable goods or services at flea markets, fairs or exhibitions, or
- regularly import taxable goods or taxable services into Ontario for your own use.

You must register for a Vendor Permit even if your sales are small - there is no minimum.

You should also contact the Ontario Ministry of Government and Consumer Services for information regarding additional licences you may require.

6. How do I obtain an RST Vendor Permit?

You may register online by visiting www.rev.gov.on.ca, by phone, mail or in person at any Ministry of Revenue [tax office](#) listed at the front of this guide. You may also register at any Ontario Business Connects workstation or through their website at www.cbs.gov.on.ca/obc.

7. I registered at an Ontario Business Connects terminal but have not received any paperwork. What do I do now?

Generally, it takes approximately three weeks from the time you register to receive any paperwork. You should contact your local Ministry of Revenue [tax office](#) listed at the front of this guide if you have any questions.

8. Do I have to post my Vendor Permit at my business location?

No. However, you must keep a copy of your Vendor Permit at each business location and let anyone see it on request.



Registration/ Vendor Permit (cont'd)

9. When does my Vendor Permit expire? How do I renew it?

There is no expiry date on your Vendor Permit, but it is no longer valid if there is a change in ownership. (The blanket Purchase Exemption Certificate you may have given to your supplier is valid until you revoke it, or the Ministry of Revenue cancels it).

10. I will be selling or closing my business. Do I need to cancel my Vendor Permit?

Yes. If you sell or close your business, you must contact your local Ministry of Revenue [tax office](#) listed in this guide or the blue pages of your telephone directory. Your Vendor Permit becomes void and must be returned to the Ministry of Revenue within 15 days.

Purchasing an Existing Business

11. If I buy a business from someone else, can I use his/her Vendor Permit number?

No. A Vendor Permit cannot be transferred. You must contact your local Ministry of Revenue [tax office](#) listed in this guide or the blue pages of your telephone directory to obtain a Vendor Permit in your own legal name.

12. If I purchase an existing business, how do I ensure that I will not be liable for any unpaid RST owed by the previous owner?

You must obtain a copy of a Clearance Certificate from the person or entity (partnership or corporation) selling the business, otherwise you may be liable for any outstanding RST amounts owed by the previous owner. When a person or entity sells an existing business, they must obtain a Clearance Certificate from the ministry to confirm that they do not have any outstanding RST liabilities.

For further information, refer to [Small Business Pointer SBP 901 - The Basics of Retail Sales Tax](#).

13. Will my request for a Vendor Permit be delayed if I do not obtain a Clearance Certificate from the previous owner?

No. Your request for a Vendor Permit will not be delayed if you do not obtain a Clearance Certificate from the previous owner.

Tax Returns and Payments

14. How and when do I obtain the RST returns?

You will receive your returns by mail approximately three weeks before each due date. If you are required to file your RST returns monthly, you will receive a package every three months that has three return forms covering three filing periods. If a vendor who is required to file monthly does not receive the package of three return forms, they should contact the local Ministry of Revenue tax office to obtain one so the return can be received by the ministry before the due date.

Retail Sales Tax (RST)

Tax Returns and Payments (cont'd)

15. When is my return and payment due?

Returns and payments should be received by the Ministry of Revenue on or before the 23rd day of the month following the end of your filing period, unless you have been authorized to use a special filing period. The due date is printed on the front of every return. If the due date falls on a weekend or holiday, the return is due on the next business day.

Note: All cheques payable to Minister of Finance.

16. Do I still have to file a return if no sales were made or if the sales made were not taxable?

Yes. You must complete and file all returns, even if you have no sales (either taxable or exempt) or RST to report during the filing period. If you did not make any sales, write '0' on Line 1 of the return. If you fail to file a return, you may be subject to a fine of \$50 for each day the return is late-filed. Financial institutions will not accept a paper return if you are not making a payment. In this case, your return must be mailed, sent by courier, hand delivered to a Ministry of Revenue [tax office](#), or submitted using the online government tax payment and filing service (refer to [question #21](#) for details).

17. My terms are net 30 days. Do I have to send the RST to you even if I have not received the money from my customers?

Yes. RST is due at the time of sale of all taxable goods and services, except for insurance. RST on insurance premiums is due when you actually receive the payment from your customer.

18. I just realized I haven't been charging RST on some taxable sales. Am I liable for tax on past sales?

Yes. However, anyone who voluntarily discloses past taxes owed to the Ministry of Revenue will be allowed to settle any related debt by making full payment including interest. You will not be prosecuted if the disclosure meets the conditions outlined in the ministry's [Tax Information Bulletin Voluntary Disclosure](#).

19. What should be included in Line 3 of the RST return?

Line 3 is used to report and remit any RST owing on taxable goods and services that you purchased exempt from RST, but then used in your business or for your own use. This includes items taken from your exempt inventory, goods brought into Ontario, or items used in fulfilling a real property construction contract.



20. Where do I send my return and payment?

RST returns and payments may be made:

- at any financial institution in Ontario where you have an account
- by mail or hand delivery to any Ministry of Revenue [tax office](#), or
- electronically, using your financial institution's online government tax payment and filing service.

Financial institutions will not accept returns at their locations when a payment is not included. If you have a nil return, you must send or deliver it directly to the Ministry of Revenue, or file it electronically using an online government tax payment and filing service.

Note: All cheques payable to Minister of Finance.

21. What is the online government tax payment and filing service?

An online government tax payment and filing service is available seven days a week, 24-hours a day, using a financial institution's website. It enables participating financial institutions' customers to electronically submit RST return cards and payments via the Internet. This service is currently offered by many financial institutions to customers who have an account with them. Visit www.rev.gov.on.ca and select 'Online Services' for details. Contact your financial institution for assistance when accessing or navigating these electronic services.

22. When will my payment be processed if I use the online government tax payment and filing service?

Please check with your financial institution for exact processing time frames to ensure your tax return and/or payment is received by the Ministry of Finance on time. Most financial institutions offering this service require payment instructions to be made the day before the payment is due. Similarly, post-dated payment instructions must be made at least one day prior to the payment due date in order to be processed on time.

23. What if I file my return late?

If you late-file or short-pay your return, you will be required to pay penalties as follows: **10 per cent** of the Tax Collectable on Sales (Line 2 of the return) and **five per cent** of the Tax Payable for Own Use (Line 3 of the return), with **no maximum**.

Retail Sales Tax (RST)

Compensation

24. How much do I get paid for charging/collecting RST on my sales?

Compensation is based on the amount of tax charged on your sales (i.e., reported on Line 2 of the return card) and is calculated as follows:

If you charged...	then deduct...
\$20.00 or less	the whole amount
between \$20.01 and \$400.00	\$20.00
\$400.00 or more	5% of the amount shown on line 2

The annual compensation limit for each legal entity is \$1,500 for each 12-month period ending March 31.

Purchases

25. How do I claim an exemption from RST on goods I intend to resell?

To receive an exemption from RST, you must provide a valid Purchase Exemption Certificate (PEC) to your supplier(s).

For further information, refer to [RST Guide 204 - Purchase Exemption Certificates](#).

26. What is a Purchase Exemption Certificate (PEC)?

A PEC can be used if you are entitled to claim an exemption from RST on the purchase of tangible personal property or taxable services or when entering into a contract of insurance or a benefits plan. A valid PEC means a single or blanket PEC that a person is authorized to use and contains all the required information. A PEC can be valid in any format.

For further information, refer to [RST Guide 204 - Purchase Exemption Certificates](#).

27. What is a valid Identity Card?

Authorized persons, including farmers, Status Indians, blind persons, foreign representatives or officials, can use a valid identity card (ID card) instead of a PEC to claim an exemption from RST on qualifying purchases.

For further information, refer to [RST Guide 204 - Purchase Exemption Certificates](#).

28. Who is responsible for completing a Purchase Exemption Certificate?

The purchaser is responsible for issuing a valid PEC when claiming an exemption from the supplier; however, the vendor/supplier is responsible for having on file a properly completed PEC and a record of the name and number or other identifier for each identity card presented to support any exempt sales. Vendors may be assessed for RST not collected on exempt sales if he/she does not maintain adequate records.



Sales

29. If I pay RST on all my purchases, do I still need to collect RST on my sales?

Yes. However, as noted in [question #36](#), the supplier may refund the RST to you if you provide him/her with a valid PEC claiming the goods were purchased for resale purposes. Otherwise you can claim a refund directly from the Ministry of Revenue.

30. On what items must I charge RST?

RST applies to tangible personal property, unless specifically exempted, and the taxable services listed in [question #2](#) of this guide.

RST also applies to prices of admission over \$4.00 and on insurance premiums.

For further information, please refer to the following RST Guides:

[301 - Accommodation](#)

[601 - Labour Charges](#)

[303 - Admissions](#)

[650 - Computer Programs and Related Services](#)

[519 - Insurance - General Information](#)

Exemptions

31. Which goods and services are exempt from RST?

Certain goods are unconditionally exempt, due to their nature, and may be purchased exempt from RST by anyone. For example, RST does not apply to food products, children's clothing or drugs and medicines sold under a doctor's prescription.

Other exemptions are conditional, that is, the exemption is dependent upon the nature of the purchaser and/or the end-use to which the goods are put. Conditional exemptions include goods purchased for resale, production machinery and equipment purchased for the use of a qualifying manufacturer and hospital equipment purchased by a qualifying hospital.

Examples of non-taxable services include dry cleaning and personal services such as hair styling or beauty treatments. If you provide a non-taxable service, you do not charge your customer RST. However, you must pay RST on any taxable goods and services you use to perform the non-taxable service.

For further information, please refer to the following RST Guides:

[303 - Admissions](#)

[508 - Children's Clothing and Footwear](#)

[400 - Manufacturers](#)

[805 - Hospitals](#)

[500 - Food Products](#)

[807 - Farmers](#)

[507 - Publications](#)

Retail Sales Tax (RST)

Exemptions (cont'd)

32. Can I sell goods exempt from RST to Status Indians? If so, what is required?

Most items purchased by Status Indians, Indian bands or band councils **for use on reserves** are exempt from RST. To receive the exemption, Status Indians must show their federal 'Certificate of Indian Status' identification card. Where an Indian band or band council claims an exemption, you must obtain a properly completed PEC. Status Indians must pay RST on prices of admission over \$4, transient accommodation, taxable labour, alcoholic beverages, and taxable prepared food products purchased off the reserve.

For further information, refer to [RST Guide 808 - Status Indians, Indian Bands, and Band Councils](#).

33. What do I need to do if someone claims an exemption?

You must obtain a properly completed PEC from the customer, unless the customer is entitled to use an Identity Card as outlined in question 27.

For further information, refer to RST Guides:

[204 - Purchase Exemption Certificate](#)

[803 - Foreign States, Representatives and Officials](#)

[807 - Farmers](#)

[808 - Status Indians, Indian Bands and Band Councils, and](#)

[Information Notice - Audio Books Purchased by Persons who are Legally Blind, August 2002.](#)

34. Do I charge RST on goods I deliver or ship to a location outside Ontario?

No. RST does not apply to goods that you ship directly to a location outside Ontario. You should retain all shipping documents and/or bills of lading to support the exempt sale.

Audits

35. During the course of an audit, if I disagree with your Audit Department, can I contact someone other than the Audit Department to obtain a ruling?

No. All requests for information relating to the Ontario *Retail Sales Tax Act* must be directed to the Audit Department when an audit is in process. Any requests for interpretation should be forwarded to the audit manager in charge of conducting the audit.

For further information, refer to the ministry's Information Bulletin on [what to expect during an audit](#).



Refunds

36. I paid RST on goods I will be reselling. Will the supplier refund the RST to me?

The supplier has the authority to refund the RST to you, but is not required to do so. However, you must provide the supplier with a valid PEC to claim an exemption. Alternatively, you may claim a refund directly from the Ministry of Revenue by completing a General Application for Refund of Retail Sales Tax form. The refund claim must be received by the ministry within four years from the date RST was paid.

37. A customer has advised me that I charged RST in error. Can I refund the RST to him/her?

You can refund the RST to the customer if he/she provides a properly completed PEC claiming that the goods are being purchased for resale purposes, or if you made a clerical or arithmetical error in the calculation of the RST charged. You may also refund RST to a customer if the purchase price of the goods, services or price of admission is subsequently reduced and the amount of the reduction is credited to the purchaser. Any refund of RST paid to the customer must be made within four years following the date the RST was collected.

If you charged RST in error on exempt items, you may not rebill or refund the RST to the customer; he/she must apply for a refund from the Ministry of Revenue.

38. If I refund RST to my customer, how do I get it back?

RST refunded to your customer may be deducted from your future remittance of RST, i.e., from the tax collected on sales on Line 2 of your RST return. You have four years from the date of the refund to the customer to make the deduction.

39. Where can I obtain a refund claim form and where do I send my completed form?

You can get the [General Application for Refund of Retail Sales Tax form](#) from any Ministry of Revenue [tax office](#) listed at the front of this guide, by calling 1 800 263-7965.

Your completed application form should be sent with the supporting documentation to the address noted on the form:

Ministry of Revenue
Retail Sales Tax Refund Unit
1600 Champlain Ave, 2nd floor
Whitby ON L1N 9B2

For further information, refer to [RST Guide 700 - Refunds and Adjustments](#).

Retail Sales Tax (RST)

Address Changes

40. What are the procedures to change the address of my business?

To make changes to your business or trade name, or your mailing or business address, you may:

- visit www.rev.gov.on.ca and select 'Online Services'
- call your local Ministry of Revenue [tax office](#), or
- complete the Notification of Change form on the back of your RST return and mail it to the address noted on the front of your return.

Correcting Account/ Return Information

41. How do I make corrections to my account?

For corrections regarding any financial, account related or administrative information, please contact your local Ministry of Revenue tax office listed in the front of this guide.



Corporations Tax (CT)



Updates

1. When will the Canada Revenue Agency administer corporate taxes on behalf of Ontario?

Ontario corporate taxpayers will start filing a single T2 Corporate Tax return with the CRA for taxation years ending after December 31, 2008.

Ontario taxpayers will start making combined Ontario and federal corporations tax instalment payments to the CRA in 2008 for tax years ending in 2009. For some companies it means that combined Ontario and federal instalment payments are payable to the CRA as early as February 2008.

2. Who do I contact about my Ontario corporate tax return?

The Ontario Ministry of Revenue continues to be your first point of contact for all matters regarding your Ontario corporate tax account. The CRA and the Ontario Ministry of Revenue will provide you with information about the move of Ontario corporate tax audits, objections, appeals and rulings to the CRA closer to the transition date of April 3, 2008.

Tax Liability

3. Who is liable for Ontario corporate taxes?

All incorporated businesses, including those incorporated inside and outside Canada, that maintain a permanent establishment in Ontario are liable for Ontario corporate taxes. A permanent establishment can generally be described as a fixed place of business such as an office, farm, factory, branch, warehouse, etc.

Unincorporated businesses are generally not required to pay Ontario corporations tax. These include sole proprietorships and businesses run by individuals as partnerships. Owners of unincorporated businesses are, however, subject to personal income tax on an individual basis.

Tax Returns

4. When is the tax return due?

All corporations that have a permanent establishment in Ontario are required to file a Corporations Tax Return within six months of the corporation's taxation year end. The Ministry of Revenue considers the tax return filed the day the return is **received** by the ministry – not the date the return was mailed. Any balance of tax owing, is due at an earlier date: the balance of tax due date. (Refer to [question 16](#) under the heading 'Payments' for more information.) A late filing charge will be applied if the return is received after the due date. The late filing charge is based on the unpaid balance of tax at the return due date.

Corporations Tax (CT)

Tax Returns (cont'd)

5. What information must be included with the tax return?

The CT23 Corporations Tax Return must be completed and signed by an officer of the corporation. A completed Annual Return (if applicable), copies of the corporation's financial statements, completed in accordance with Generally Accepted Accounting Principles and any Ontario schedules should be included with the tax return. Please refer to [Information Bulletin 4001R1](#) Combined Return, Short-Form Return and Exempt from Filing Policy for Corporations for information on the filing requirements for the Annual Return.

The Ministry of Revenue prefers corporations to file the financial statements prepared for the shareholders of the corporation. However, where a corporation does file a hard copy of the General Index of Financial Information (GIFI) in lieu of financial statements, the ministry will accept the GIFI where there is sufficient information in the GIFI to validate any taxes payable or to support a loss. The ministry reserves the right to request financial statements when needed to verify the correct amount of the corporation's tax liability under the *Corporations Tax Act*.

6. How do I make corrections to my return?

File an amended return for the taxation year in question. Alternatively, a letter detailing the required changes may be sent to:

Ministry of Revenue
Desk Audit Section
PO Box 622, 33 King Street West
Oshawa ON L1H 8H6

For Canadian-controlled private corporations, corrections must be made within **four** years from the date of mailing of the original notice of assessment. For all other corporations, corrections must be made within **five** years from the date of mailing of an original assessment. The ministry will only make these corrections under the circumstances outlined in Corporations Tax [Interpretation Bulletin 3009R](#) *Statute - Barred Periods*.

Components of Corporations Tax

7. What are the components of corporations tax?

The components of corporations tax for small corporations are income tax and capital tax. Insurance corporations pay premium tax instead of capital tax.



Components of
Corporations Tax
(cont'd)

8. What is the provincial corporate income tax rate?

General Rate	Applicable Dates
14.0%	effective January 1, 2001
12.5%	effective October 1, 2001
14.0%	effective January 1, 2004 and subsequent years

For taxation years straddling these dates, the income tax rate is pro-rated for the number of days in the taxation year for the particular rate over the number of days in the taxation year.

The Incentive Deduction for Small Business Corporations (IDSBC) reduces the Ontario corporate income tax rate to arrive at an effective tax rate for small Canadian-controlled private corporations.

Effective Small Business Rate	Applicable Dates
6.5%	effective January 1, 2001
6.0%	effective October 1, 2001
5.5%	effective January 1, 2003 and subsequent years

For taxation years straddling these dates, the effective small business rate is pro-rated.

The benefit of the IDSBC is gradually reduced by a surtax where taxable income is greater than \$400,000. Effective January 1, 2004 and subsequent years, the surtax will completely eliminate the benefit of the IDSBC where the taxable income is \$1,128,519 or more.

The tax rate on income from manufacturing, processing, farming, fishing, mining or logging (M&P) that does not qualify for the reduced small business tax rate is as follows:

Manufacturing Rate	Applicable Dates
12.0%	effective January 1, 2001
11.0%	effective October 1, 2001
12.0%	effective January 1, 2004 and subsequent years

For taxation years straddling these dates, the manufacturing rate is pro-rated.

Corporations Tax (CT)

Components of Corporations Tax (cont'd)

9. What is the capital tax rate?

The general capital tax rate is 0.3 per cent of a corporation's taxable paid-up capital. The 2004 Ontario Budget has introduced gradual elimination of capital tax by 2012.

- Starting January 1, 2005, the \$5 million deduction from taxable paid-up capital will be increased by \$2.5 million each year until the deduction reaches \$15 million on January 1, 2008. By that time, in addition to small businesses that do not pay capital tax, more than 13,000 medium-sized corporations would no longer pay capital tax.
- Starting January 1, 2009, capital tax rates will be reduced each year until the capital tax is fully eliminated on July 1, 2010.

The following table sets out the government's plan to eliminate the capital tax.

	Deduction (\$ Millions)	Regular Corporations (%)
01-Oct-01	5	0.3
01-Jan-05	7.5	0.3
01-Jan-06	10	0.3
01-Jan-07	12.5	0.285
01-Jan-08	15	0.285
01-Jan-09	15	0.225
01-Jan-10	15	0.15
01-Jul-10	Eliminated	Eliminated

The increases in the deduction and the cuts to the capital tax rates will be pro-rated for taxation years straddling the effective dates.

Refer to [Interpretation Bulletin 3011R Capital Tax General Information and Special Cases](#) for information on capital tax rates for small businesses whose taxation year ends after May 4, 1999 but before October 1, 2001.

A copy of the guide may be obtained by accessing our Internet site at www.rev.gov.on.ca or by contacting:

Ministry of Revenue
Ministry Information Centre
PO Box 627
33 King Street West
Oshawa ON L1H 8H5

General Enquiry: 1 800 263-7965



Payments

10. Where can I make my corporations tax payments?

Corporations tax payments may be made:

- at any financial institution in Ontario where you have an account
- by mail, or delivery to any Ministry of Revenue [tax office](#), or
- electronically, using a financial institution's online government tax payment service.

11. What is the online government tax payment service?

An online government tax payment service is available seven days a week, 24 hours a day, using a financial institution's Internet site. It enables participating financial institutions' customers to electronically remit Corporations Tax payments via the Internet. This service is currently offered by many financial institutions to customers who have an account with them. Visit www.rev.gov.on.ca and select 'Online Services' for details. Contact your financial institution for assistance when accessing or navigating these electronic services.

12. If I use the online government tax payment service, when will my payment be processed?

Please check with your financial institution for exact processing time frames to ensure your tax payment is received by the Ministry of Revenue on time. Most financial institutions offering this service require payment instructions to be made the day before the payment is due. Similarly, post-dated payment instructions must be made at least one day prior to the payment due date in order to be processed on time.

13. Can I make a payment without a remittance form?

Where a payment is made at a financial institution, a remittance form is required.

Where a payment is sent by mail or delivered to an office of the Ministry of Revenue, the ministry prefers the payment to be submitted with a remittance form. However, where this is not possible, a payment without a remittance form will be accepted. Please ensure that your corporations tax account number and the taxation year to which the payment should be allocated is clearly identified on the cheque and/or covering letter.

A cheque sent by mail should be sent to:

Ministry of Revenue
Revenue Operations and
Client Services Branch
PO Box 620
Oshawa ON L1H 8E9

When a payment is made using the online government tax payment service a remittance form is not required.

Corporations Tax (CT)

Payments (cont'd)

14. When are instalment payments required?

For a corporation's first taxation year, monthly instalments are not required. In subsequent taxation years, monthly instalments are required unless either the previous taxation year's total tax payable or the current taxation year's total tax payable is less than \$2,000. The monthly instalments are required to be paid on or before the last day of each month.

Effective for taxation years commencing after December 31, 2001, corporations are permitted to pay their instalments quarterly if their tax payable in the current or preceding taxation year is greater than or equal to \$2,000 and less than \$10,000.

Effective for taxation years ending in 2009, taxpayers will begin making combined Ontario and federal Corporations Tax instalment payments to the Canada Revenue Agency.

15. How do I calculate my instalment payment?

For information on calculating your instalment payments, refer to [Information Bulletin 4007R1 Tax Instalments and Payments](#).

16. How do I determine the 'balance of tax due date'?

If the corporation was a Canadian-controlled private corporation throughout the taxation year and had taxable income of not more than the corporation's 'Ontario business limit' for the previous taxation year, the 'balance of tax due date' is on or before three months after the end of the corporation's taxation year. If the previous taxation year is less than 51 weeks, the 'Ontario business limit' must be pro-rated. In all other cases, the 'balance of tax due date' is on or before two months after the end of the corporation's taxation year.

Please refer to [Information Bulletin 4007R1 Tax Instalments and Payments](#) for information on calculating the 'Ontario business limit'.

17. If instalments are not required, when is my tax liability due?

If instalment payments are not required, the corporation's tax liability is due by the 'balance of tax due date'.

Interest

18. When is interest calculated?

The interest shown on the Notice of Assessment/Reassessment is the interest owing as of the 'assessment date' shown on the Notice of Assessment/Reassessment. The interest calculation is based on daily compound interest and is assessed on the outstanding account balance. Credit interest is paid if an overpayment exists in the account.

For additional information on the calculation of interest, refer to [Information Bulletin 4010R Interest on Overpayments, Underpayments and Instalments of Tax](#).



Interest (cont'd)

19. Why has my business been charged interest?

Interest is charged on deficient instalments and on the late payment of the balance of tax due. When a corporation remits insufficient instalment payments, interest is charged on the difference between the actual instalments and the instalments required. Interest is also charged on the late payment of the balance of tax. If a corporation does not remit the balance of tax due until it files the CT23 Tax Return, it is remitting the balance late and will be assessed interest on the late payment. Tax returns are due six months after the taxation year end of the corporation; therefore, if a corporation pays the balance of tax due at that time, it is making the payment three or four months late depending on the type of corporation involved.

Address Changes

20. What are the requirements/procedures to change the address of a corporation?

To make changes to your business address, you may:

- visit www.rev.gov.on.ca and select 'Online Services'
- complete the Change of Address insert provided in the monthly statement of account or in the return envelope provided with a Notice of Assessment or Reassessment, or
- provide a written notification of a change of address on company letterhead and send to:

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

Account Information

21. I am currently preparing my first Corporations Tax Return. How do I know what my account number is?

To obtain your account number, please contact the ministry at 1 800 262-0784 ext. 6666 or 905 433-6666, or any Ministry of Revenue [tax office](#) listed at the front of this guide.

Employer Health Tax (EHT)

Definitions

1. What is Employer Health Tax?

Employer Health Tax (EHT) is a payroll tax (payable by employers) on remuneration paid to: (i) employees reporting for work at a permanent establishment of the employer in Ontario, and (ii) employees who do not report for work at a permanent establishment, but who are paid from or through a permanent establishment of the employer in Ontario.

2. What is considered remuneration?

Remuneration means employment income (generally box 14 of Canada Revenue Agency's T4 slip) that is taxable under sections 5, 6 or 7 of the *Income Tax Act* (Canada). It includes salaries and wages, gratuities paid through an employer, bonuses, commission and other similar payments, vacation pay, taxable allowances and benefits, directors' fees, payments for casual labour, amounts paid by an employer to 'top up' benefits, and advances of salaries and wages, and stock option benefits.

Employers are required to include remuneration paid to former employees in their calculation of taxable total Ontario remuneration. For example, taxable benefits provided to retired employees should be included even though reported on a T4A.

For further information, refer to [Information Bulletin 2-96 Remuneration](#).

3. Who is an employee?

An employee is an individual who:

- is employed by an employer
- holds office from an employer and receives remuneration for carrying on the duties of the office, or
- was formerly an employee in any of the ways outlined above.

For EHT purposes, the Ministry of Revenue considers many factors in the determination of employer-employee relationships, including common law principles and Canada Revenue Agency rulings.

For further information, refer to Information Bulletins:

- [1-96 How to Identify an Employer-Employee Relationship](#)
- [2-00 Commissioned Real Estate Salespersons](#)
- [3-00 Placement Agencies and Their Workers](#)
- [1-02 Truck Owner-Operator](#)



Tax Liability

4. What if I do not have employees at the start of my business but anticipate hiring employees in the future?

In such cases, employers are not required to pay EHT until they actually begin to pay remuneration to employees. Eligible employers should register and pay EHT when their remuneration for the year exceeds the exemption amount for the year. (Effective January 1, 1999 and subsequent years, the exemption amount is \$400,000).

5. I am an employer who is based outside Ontario. I will be employing salespeople in Ontario. Do I have to pay EHT?

EHT is payable if the employees report for work at a permanent establishment of the employer in Ontario. For information on what constitutes a permanent establishment, refer to [Information Bulletin 1-97 Permanent Establishment](#) and [Information Bulletin 5-00 Office in an Employee's Residence](#).

6. Is a retiring allowance/severance payment taxable?

No. Retiring allowance/severance pay is considered as being made in respect of a loss of office or retirement. Since EHT is applicable only to employment income, there is no EHT on retiring allowance/severance pay.

For further information, refer to [Information Bulletin 2-96 Remuneration](#).

EHT Exemption

7. Who is an eligible employer for the tax exemption?

Eligible employers for the tax exemption generally include:

- private sector employers
- organizations that receive financial assistance from any level of government but are not under the control of government, and
- Crown corporations subject to tax under Part I of the *Income Tax Act* (Canada).

For further information, refer to [Information Bulletin 2-98 Tax Exemption](#).

8. What is the exemption amount?

Eligible employers are exempt from EHT on the first \$400,000 of annual total Ontario remuneration (payroll).

Eligible employers are not required to pay tax until their cumulative payroll exceeds \$400,000 for the year. Only one exemption is available for an associated group of employers. The entire exemption amount may be allocated to one member of the associated group, or it may be shared among the associated employers.

Note: Employers with an Ontario business that opened, closed, became bankrupt or amalgamated during the year must pro-rate the exemption amount for the number of days in the calendar year that the employer had payroll and a permanent establishment in Ontario.

Employer Health Tax (EHT)

EHT Exemption (cont'd)

9. Who is an associated employer?

Associated employers are connected by ownership or by a combination of ownership and relationship of the owners, either through blood, marriage or adoption. The associated corporations rules under section 256 of the *Income Tax Act* (Canada) are used to determine whether employers are associated for EHT purposes. Although these rules refer to corporations, their application is extended under the *EHT Act* to include individuals, partnerships and trusts.

For further information, refer to the [Glossary of Terms](#) on page 37 of this guide (associated employer) and [Information Bulletin 1-98 Associated Employers](#).

10. Can I go back and claim the exemption for the prior years I overlooked? How do I do this?

Yes. You may claim the exemption within four years from the day on which the return for the year was required to be delivered to the ministry (e.g., the latest date for claiming the exemption for the year 2003 is March 15, 2008).

The exemption can be requested by completing an amended return for the applicable year(s) or by providing a letter requesting that the annual return be amended to claim the exemption.

Registration

11. How do I register my new business for EHT?

To register for EHT an employer may:

- visit the ministry website at www.rev.gov.on.ca and select 'Online Services'
- call or visit any of the ministry [tax offices](#) listed at the front of this guide
- visit an Ontario Business Connects (OBC) location and register electronically by using their self-help workstations or visit the OBC website at www.cbs.gov.on.ca/obc, or
- visit the Canada Revenue Agency's website at www.businessregistration.gc.ca

Eligible employers whose cumulative payroll does not exceed the exemption threshold and who are not associated are not required to register with the ministry. All other employers, including all members of an associated group, are required to register.

Tax Rates

12. What tax rate do I use?

The tax rate is based on the annual gross total Ontario remuneration **before** deducting the tax exemption. An employer with more than one EHT account must use the tax rate applicable to the total of the annual 'Total Ontario Remuneration' amount for **all** the EHT accounts held by the legal entity.



Tax Rates (cont'd)

13. What are the tax rates?

There are nine graduated tax rates ranging from 0.98% to 1.95%.

Total Annual Ontario Remuneration	Rate
up to \$200k	0.98%
over 200k - 230k	1.101%
over 230k - 260k	1.223%
over 260k - 290k	1.344%
over 290k - 320k	1.465%
over 320k - 350k	1.586%
over 350k - 380k	1.708%
over 380k - 400k	1.829%
over \$400k	1.95%

14. What tax rate do I use to calculate my instalment? Is this different from my Annual Return?

The rate may be different for instalments versus that used for the Annual Return. Instalment tax rates are based on the employer's payroll from the **prior year**.

Employers in their first and second year of operation should **estimate** their annual payroll for the current year and use that amount to determine their instalment tax rate.

The tax rate to be used on the Annual Return is based on the **actual** remuneration paid by the employer during the year. Since the tax payable on the return may differ from instalments paid during the year, a debit or credit balance may arise at year-end.

Tax Returns and Instalments/ Payments

15. If my payroll is below the exemption amount, do I still have to file an Annual Return?

No. An eligible employer who is not associated and whose payroll for the year does not exceed the exemption amount, is not required to file an Annual Return. However, associated employers must file an Annual Return regardless of their annual gross total Ontario remuneration amounts.



Employer Health Tax (EHT)

Tax Returns and Instalments/Payments (cont'd)

16. How often do I pay the tax?

Employers with an annual Ontario payroll of \$600,000 or less are not required to remit monthly instalments. Payment of EHT is required on or before March 15th of the following calendar year with the filing of the Annual Return.

Employers with a payroll exceeding \$600,000 are required to remit monthly EHT instalments on or before the 15th of each month.

Employers who are eligible for the tax exemption, and who have payroll exceeding \$600,000, are required to remit monthly instalments after applying their available exemption amount for the year.

17. Where can I remit my EHT instalments/payments?

EHT instalments/payments may be made:

- at any financial institution in Ontario where you have an account
- by mail to any Ministry of Revenue tax office
- by internet using a financial institution's online government tax payment service, or
- in person to any Ministry of Revenue tax office.

Please note that Annual, Final and Special Returns are not accepted at financial institutions or electronically through the Internet.

Note: All cheques payable to Minister of Finance.

18. What is the online government tax payment service?

An online government tax payment service is available to customers of a financial institution, seven days a week, 24 hours a day, using a financial institution's Internet site. It enables customers of participating financial institutions to remit EHT payments electronically via the Internet. This service is currently offered by many financial institutions to customers who have an account with them. Visit www.rev.gov.on.ca and select 'Online Services' for details. Contact your financial institution for assistance when accessing or navigating these electronic services.

19. If I use the online government tax payment service, when will my payment be processed?

Check with your financial institution for exact processing time frames to ensure your tax payment is received by the Ministry of Revenue on time. Most financial institutions offering this service require payment instructions to be made the day before the payment is due. Similarly, post-dated payment instructions must be made at least one day prior to the payment due date in order to be processed on time.

When a payment is made using the online government tax payment service, a remittance form (top portion of the Statement of Account) is not required.



Tax Returns and Instalments/ Payments (cont'd)

20. I did not receive my statement. How can I pay my instalment? Can you fax me a remittance form? Will the bank accept this?

If you have not received your statement, you may send your payment with a letter to any Ministry of Revenue tax office stating the following information:

- account number, name and address
- period covered
- amount of 'taxable Ontario remuneration', and
- amount of tax due.

A remittance replacement form may be faxed to you, but the faxed remittance form **cannot** be used by financial institutions to process payments. The completed remittance form can be faxed back to the ministry to avoid a late-filing penalty and the payment can be mailed in. However, **interest charges will apply if the payment is not received by the due date**. If the due date falls on a weekend or holiday, the due date for the instalment is the next working day.

21. How do I reconcile the tax actually due for the year with tax paid by instalments?

Employers with a total annual Ontario remuneration of more than \$600,000 are required to remit instalments on the 15th of each month. EHT instalments are based on the actual payroll for the month and are due on the 15th day of the following month. The first instalment for the year is due February 15th and the last instalment is due January 15th of the following year. The tax due for the year and the tax paid by instalments are both based on the calendar year. The reconciliation between the tax liability for a year and the tax paid by instalments is achieved by filing the Annual Return.

Penalties

22. Why was a late filing penalty assessed when I mailed my instalment/return before the 15th?

Late filing penalties are assessed for instalments and returns that are not **received** by the ministry on or before the due date. When mailing instalments or returns, employers should allow sufficient time to ensure that they are delivered by the due date.

Selling, Closing and Amalgamating

23. What if I sell, close or amalgamate my business during the year?

Employers who sell, close or amalgamate their business must contact the Ministry of Revenue. An EHT Final Return must be filed, within 40 days of the business closure date (or date of amalgamation), for the part of the calendar year that remuneration was paid. Final payment of any tax owing must be sent with the return.

Employer Health Tax (EHT)

Address Changes

24. What are the requirements/procedures to change my address?

To make changes to your business address, you may:

- visit www.rev.gov.on.ca and select 'Online Services'
- complete the Notification of Change portion of the return envelope provided with the monthly instalment statement or Annual Return, or
- provide a written notification of a change of address and send to:

Ministry of Revenue
Employer Health Tax
PO Box 640
33 King Street West
Oshawa ON L1H 8P5

Correcting Account/ Return Information

25. How do I make corrections to my account?

To correct financial information reported on your account, file an amended return for the period in question or send a letter detailing the required adjustments to any Ministry of Revenue tax office. Financial information must be corrected within four years from the date the return was required to be filed. For other corrections, please call any Ministry of Revenue [tax office](#) (refer to the front of this guide).



Motor Fuels, Tobacco & Land Taxes



Gasoline/Fuel/ Tobacco Tax Refunds

1. How do I obtain information on gasoline/fuel/tobacco tax refunds?

You may call the Ministry directly at 905 433-6432 or write to:

Ministry of Revenue
Motor Fuels and Tobacco Tax
PO Box 625
33 King Street West
Oshawa ON L1H 8H9

Gasoline/Fuel/ Tobacco Product Loss

2. I operate a gasoline bar and convenience store. Is there a refund available for loss of gasoline, fuel or tobacco products due to theft, fire or contamination?

Vendors who have suffered a loss of product due to theft, fire or contamination can claim a refund. The application for refund must include the following documentation:

- copy of police or fire marshal report with respect to the loss
- copy of any insurance settlement by, or written confirmation from, an insurance company confirming settlement of any claim for the loss
- copies of purchase invoices related to the product loss, and
- proof of payment of tax.

Further information can be obtained by reading Ontario Tax Bulletins:

[FT/GT 2-99](#): Tax Refunds - Bad Debts and Lost, Destroyed, Stolen or Contaminated Product.

[TT 3-2000](#): Tax Refunds - Bad Debts and Lost, Destroyed, Stolen or Contaminated Tobacco.

3. I operate a gasoline bar. Can I apply for a tax refund to cover gasoline losses due to handling and evaporation?

Most retailers (gas stations) can apply for a tax refund to cover gasoline losses due to handling and evaporation under the 'TEU Schedule 1'. Receipted invoices must be submitted to support the claim. The rate of refund is based on .21 per cent of Ontario tax paid on gasoline sold at retail. 'Outlets' owned and operated by collectors do not qualify for this allowance.

Motor Fuels, Tobacco & Land Taxes

Tobacco Licence Requirements

4. Do I need a licence to import and/or export tobacco into/out of Ontario?

The *Tobacco Tax Act* requires all businesses who plan to import and/or export tobacco in bulk into or out of Ontario must register with the ministry in order to obtain a Registration Certificate for Import and/or Export and a Wholesale Dealer's Permit.

To be registered as an Importer and/or Exporter, applicants must provide and maintain security to the Ministry of Revenue in the form of a surety bond or letter of credit. This helps to protect the ministry against the loss of public funds in the event a registrant fails to account for tobacco tax collected or collectable. The act specifies security equal to three month's tax, subject to minimums which range from \$10,000 to \$1,000,000, depending on registration type(s).

Call 905 433-6394 or write the ministry for details (see address provided in question 1).

5. Do I need a licence to import and/or wholesale cigars?

The *Tobacco Tax Act* requires all businesses which plan to import and/or wholesale cigars in Ontario apply to be designated as a Cigar Tax Collector.

6. Do I need a licence to sell tobacco at retail?

Retailers must have a retail sales tax Vendor's permit and ensure that they purchase tobacco only from a wholesaler who has a valid tobacco tax wholesale dealer's permit issued by the ministry and they must contact their municipality regarding zoning by-laws and the sale of tobacco.

Land Transfer Tax Exemption for Family Businesses

7. Is there an exemption available for transfers of land from an individual carrying on a family business to a family business corporation?

An exemption from land transfer tax is available on certain transfers of land to family business corporations in accordance with R.R.O. 1990, Regulation 697.

The general requirement for qualification is that the land is being transferred for the principal purpose of enabling the family business corporation to continue the operation of the business on the land under the direction of a person or persons each of whom is a member of the family of each transferor of the land being transferred. Other specific requirements apply which are outlined in R.R.O. 1990, Regulation 697.

Call the ministry at 905 433-6361 for further information.

Tax Objections and Appeals



Appeals System in Ontario

1. How does the appeals system in Ontario work?

The appeals system in Ontario includes a review of [Notices of Objection](#) by the Tax Appeals Branch and a review of [Notices of Appeal](#) by the Superior Court of Justice.

The [Notice of Objection](#) process is simple, inexpensive and easily accessible to any taxpayer who does not agree with an assessment, reassessment or the disallowance of a refund claim. In considering the Notice of Objection, the Appeals Officer will review the assessing branch's files and all submissions made by the taxpayer within the context of the statutory provisions. The Appeals Officer will notify the taxpayer of the proposed action in response to the objection, before the file is finalized. Most cases are resolved at the objection stage, following an exchange of information and opinions by both parties.

If the taxpayer does not agree with the minister's decision on the objection, a [Notice of Appeal](#) may be filed, which may lead to a court hearing.

Filing a Notice of Objection

2. How do I file a Notice of Objection?

A Notice of Objection can be filed by completing a [Notice of Objection form](#) or by writing a letter to the Director, Tax Appeals Branch. The letter should be signed by the owner of the business or an authorized employee of the company. If a representative is appointed, the taxpayer must provide written authorization.

Although service by registered mail is recommended, a Notice of Objection may be sent by regular mail or facsimile transmission, or may be hand delivered to either the Tax Appeals Branch or any other Ministry of Revenue tax office. Refer to the listing of Ministry of Revenue [tax offices](#) at the front of this guide.

3. What information do I need to provide?

The Notice of Objection must include:

- taxpayer's name
- account or permit number
- taxation statute under which the assessment or disallowance was issued
- date and number of the assessment or disallowance
- period or transaction in question
- amount of tax or refund, and
- clear description of each issue in dispute, fully setting out the facts and reasons for objecting to each issue.

4. What does it cost to file the Notice of Objection?

There is no fee to file a Notice of Objection.

Tax Objections and Appeals

Time Limitation

5. Do I have to file the Notice of Objection within a specified time frame?

Under an Ontario taxation statute, you must file a [Notice of Objection](#) within 180 days (for International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP) objections, within 30 days) from the day the Notice of Assessment/Reassessment or Statement of Disallowance was mailed or personally delivered to you.

6. Can I obtain additional time to file my Notice of Objection?

If you have a good reason for needing more than 180 days (30 days for IFTA and IRP objections) to file your [Notice of Objection](#), you can apply to the Director of the Tax Appeals Branch for an extension of time before the 180 days (30 days for IFTA and IRP objections) have expired. Extensions are not given for reasons such as workload, vacation, inventory-taking or year-end timing.

Further, you may apply for an extension at any time within one year from the mailing date on the Notice of Assessment/Reassessment, or the Statement of Disallowance. However, if you apply after the 180-day period, you must be able to demonstrate that it was impossible to file within the 180-day period (30-day period for IFTA and IRP objections) and that the [Notice of Objection](#) was filed as soon as circumstances permitted. If the explanation provided is not satisfactory, no extension of time will be given and your Notice of Objection will be considered to be invalid.

Payment of Amount in Dispute

7. Do I have to pay the amount assessed that is in dispute while the objection is under review?

Yes. Payment is required even if you have filed, or intend to file, a [Notice of Objection](#).

There are no provisions in the Ontario tax statutes that allow for the suspension of payment of an amount that has been assessed, but is in dispute, pending the outcome of the Notice of Objection or Notice of Appeal process. Additional interest will be assessed on the principal liability, if full payment is not received when the assessed amount is due.

Taxpayers who successfully object or appeal will be paid interest on any amounts paid on an assessment, from the dates the payments were made. However, the amount refunded, including interest, will first go to reducing other tax liabilities owed to Ontario, before any refund is made to you.

Remission of Tax or Interest

8. Can any of the tax or interest assessed be forgiven, since I don't have the money to pay it?

There are no provisions in the Ontario tax statutes to allow for the reduction of the tax or interest that has been assessed because of the taxpayer's inability to pay.

The Appeals Officer can only recommend a variance to the tax or penalty that has been assessed, if it is his or her opinion that the amount assessed is in error due to an incorrect application of the law.



Compensation for Costs Incurred

9. Will I be compensated for my costs if I win the objection?

Compensation for costs is not granted to a taxpayer who obtains a favourable resolution at the Notice of Objection stage. The [Notice of Objection process](#) is intended to be simple, inexpensive and easily accessible.

Canada Revenue Agency Assessments

10. Our corporation has received an assessment from the Canada Revenue Agency. Do I have to file a Notice of Objection with the province of Ontario?

Some Ontario corporations tax assessments are based on Canada Revenue Agency assessments. You do not need to file a [Notice of Objection](#) with the Ontario Tax Appeals Branch for such designated or specified (General Anti Avoidance Rule) assessments if you have already filed a federal objection. Ontario will be bound by the results of any federal objection. Ontario will also make consequential adjustments to capital tax and corporate minimum tax, which are required as a result of federal income tax adjustments. However, if you disagree with non-designated or non-specified items in the assessment, such as capital tax, then you will need to file a separate Ontario objection.

11. When will the Canada Revenue Agency administer objections and appeals on behalf of Ontario?

Starting in April, 2008, the Canada Revenue Agency will administer the majority of objections and appeals filed from Ontario corporate tax assessments.

Ontario will retain responsibility for appeals in progress and any additional appeals arising from objections originally processed by Ontario.

Filing a Notice of Appeal

12. How do I file a Notice of Appeal?

If you are not satisfied with the ministry's decision concerning a Notice of Objection, you may file a [Notice of Appeal](#). The Notice of Appeal is required to be filed within 90 days from the date the ministry's decision on the Notice of Objection was mailed to you. The appeal must be filed with the Superior Court of Justice (formerly the Ontario Court - General Division) and must be sent to the Tax Appeals Branch within that 90-day period.

To file the Notice of Appeal with the court, you must hand deliver the Notice of Appeal to the office of a local registrar of the court and you must pay the applicable court filing fee. You will find a list of the court addresses in the telephone directory in the Blue Pages under Courts (P-Ontario Provincial Services), Superior Court of Justice, Civil Filing Office. To file the copy with the Tax Appeals Branch, you can send the Notice of Appeal by registered mail, regular mail or facsimile transmission, or it may be hand delivered to:

Ministry of Revenue
Tax Appeals Branch
1600 Champlain Ave, 3rd floor
Whitby ON L1N 9B2

Revenue Collections

Delinquent Taxes

1. What does the ministry do to collect delinquent taxes?

The ministry encourages voluntary compliance by identifying non-registered businesses, contacting businesses to ensure they are registered for tax purposes and working to educate taxpayers about the requirement to file returns and remittances on time. Where outstanding returns, past due taxes, penalties and interest are owed, progressive collection enforcement steps are employed.

Our mailing address is:

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

Frequently Asked Questions

2. What do I do if my tax account has a balance owing or there is a tax return that has not been filed?

The Ministry of Revenue encourages voluntary compliance with the tax statutes.

If, for any reason, you find that your business has not filed a tax return or it owes a tax balance, you should file the return and/or remit the amount owing as soon as possible. All late-filed returns will be subject to penalties. Outstanding balances will accumulate compounded daily interest charges until full payment has been received.

If it is not possible to file a return and/or remit the amount owing immediately, you should contact the local Ministry of Revenue tax office as soon as possible to discuss the situation and make arrangements for filing and/or payment.

All unresolved accounts will be assessed to determine collection action.

3. What will happen if I do not file my returns or pay the tax owing?

The Ministry of Revenue will take progressive collection action until the business complies with the tax statutes or contacts a ministry tax office to make suitable arrangements for the payment of taxes or the filing of defaulted tax returns.

Progressive collection actions are taken in a step-by-step manner with each step increasing in severity, until businesses comply with the tax statutes.

If there are tax arrears or defaulted returns initial collection action will include the sending of default notices and letters, telephone calls to the business and in-office interviews in an attempt to resolve arrears.



Frequently Asked Questions (cont'd)

Progressive collection action may include one or more of the following:

- letters of demand
- estimates of amounts for unfilled tax returns
- seizure of assets such as bank accounts
- demands issued to the accounts/receivable of the business
- liens against company assets
- blocks on the issuance of liquor licenses and licences to sell motor vehicles, etc.
- prosecution action leading to fines to either or both the business and the owners, partners or directors
- issuance of warrant of seizure and sale, and/or
- proceeding with director liability assessments for trust fund debts.

4. What if I want to sell my business or otherwise dispose of the assets of the business and it owes retail sales tax?

To dispose of the assets outside of the ordinary course of business (i.e., assets that the business would not normally sell), you must obtain a clearance certificate from a ministry tax office. If you fail to obtain this clearance certificate, both the seller and the purchaser may be held liable for any tax arrears.

5. I'm a landlord, receiver or bankruptcy trustee and I have just taken possession of the assets of a business. What should I do next?

Contact the Ministry of Revenue for specific instructions. You may also find out next steps by reviewing the April 2007 Bankruptcy and Insolvency Tax Information Bulletin.

6. What should I do if I have misplaced or forgotten to file my Corporations Tax returns, Employer Health Tax returns, or Retail Sales Tax returns?

When returns are not received on a timely basis, the Ministry of Revenue may raise arbitrary assessments or, in more severe circumstances, initiate the cancellation of the corporation's certificate of incorporation. If your return has been estimated by the Ministry of Revenue, the estimate will be reversed when the actual return is submitted, but you will be charged a late-filing penalty and interest for any outstanding balance. If the certificate of incorporation cancellation process has been started, receipt of the actual return and payment of the assessed taxes, penalty and interest will stop the process.

When the returns are not received on a timely basis, estimated returns may be filed on the EHT or an RST tax account. If you fail to file your returns or fall behind on your payments, the account will be referred to collections.

Revenue Collections

Frequently Asked Questions (cont'd)

7. How can I have an estimated return reversed from my account?

It is the taxpayer's responsibility to file and remit on a timely basis. If the amount of tax collected or payable is zero, you are still required to file a return. When the returns are not received on a timely basis, estimated returns may be applied to the taxpayers account. To have an estimated return removed from your account, you will need to complete and submit the appropriate return with the payment. If you do not have an actual return card send a letter with the required information. When your return or information is received by the Ministry of Revenue, the estimated figures on your account will be replaced with the actual return filed.

Our mailing address is:

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

8. What if I want my bookkeeper, accountant or lawyer to handle any questions in regards to the Corporations Tax, Employer Health Tax, Retail Sales Tax, Motor Fuels and Tobacco Tax Acts or any taxes administered by the Ministry of Revenue?

If you have decided that your bookkeeper, accountant or lawyer is to be the contact person for your tax accounts, you need to send a letter authorizing the Ministry of Revenue to direct any questions to that person. The letter must be on your company letterhead, include:

- the contact person's name, address, a telephone number and their relationship to the business
- a list of all of the tax account numbers, and
- the name of the person who has been authorized to discuss and/or receive documentation and returns for the company.

The letter must be signed by an owner, partner or director of the business.

Our mailing address is:

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

General Questions



Retention/ Destruction of Books and Records

1. What records am I required to keep and for how long?

In general, you must keep your books and records for at least seven years. However, there are some exceptions and conditions that must be met before you can destroy any books or records (e.g., exceptions relate to Mining Tax, Corporations Tax and Labour Sponsored Venture Capital Corporations) Refer to [Tax Information Bulletin Retention/ Destruction of Books and Records](#) for information pertaining to the consent to destroy records.

The specific records which need to be retained differ with each statute, however, books and records must indicate the taxes payable or collected, substantiate any tax exempt status claimed and must be supported by documents necessary to verify that the information in the books and records is correct.

Disagreeing with an Assessment/ Reassessment/ Disallowance

2. I disagree with an assessment/reassessment/disallowance. What action can I take to have it corrected?

The first step is to call the appropriate [tax office](#) or provide a letter explaining why you disagree. If you still disagree after contacting a ministry official, you can file a [Notice of Objection](#) with the Tax Appeals Branch. The time period for objecting is within 180 days (for International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP) objections, within 30 days) from the mailing date of the assessment/reassessment/disallowance. [Notice of Objection forms](#), [Notice of Appeal forms](#), and the Tax Appeals Branch publication [Ontario Taxes and Programs: Objection and Appeal Procedures](#) can be obtained from the Ministry Information Centre at 1 800 263-7965 or from any Ministry of Revenue tax office. The Tax Appeals Branch forms and publication are also available on our Internet site www.rev.gov.on.ca.

3. What if I discover a situation in which my business owes more taxes than has been previously disclosed? What should I do? Can I be prosecuted?

It is the policy of the Ministry of Revenue to allow any corporation or individual who voluntarily discloses information about a tax liability or past violation of provincial tax laws, to remit the amount owed along with interest, but without any penalty. The disclosure must be complete, voluntary and initiated by the taxpayer or their representative. A disclosure prompted by a request for access to a taxpayer's business records or motivated by any other ministry enforcement action will not be considered as voluntary. Once the Ministry of Revenue begins to take any action under a tax statute, the disclosure will not be treated as voluntary.

The Ministry of Revenue does not prosecute individuals or corporations who come forward on a voluntary basis to disclose and remit any funds owing. Prosecution and civil negligence penalties are waived in such cases.

General Questions

Designated Contact
Person

- 4. What if the person designated as a contact person hasn't completed their duties of preparing the tax returns or remitting the taxes owed by my company to the Ministry of Revenue?**

As an owner, partner or director of a business, you are still responsible for the tax obligations of the business. The Ministry of Revenue will work with you in establishing a schedule for the submission of returns and payments. Please contact your local ministry tax office as soon as you become aware of the problem, to discuss arrangements for the outstanding returns or payments.



Glossary of Terms



Associated Corporation

In accordance with subsection 256(1) of the *Income Tax Act* (Canada), corporations are associated where, at any time during the taxation year:

- one corporation controls the other (e.g., a parent corporation and a subsidiary corporation)
- corporations are controlled by the same person or group of persons; e.g., Corporation A and Corporation B both have the same parent corporation; therefore, Corporation A and Corporation B are associated
- each corporation is controlled by one person and the person who controlled one corporation is related to the person who controlled the other corporation and one of those persons owned not less than 25 per cent of the issued shares of each corporation; e.g., spouse A owns 100 per cent of the shares of Corporation A and 25 per cent of the shares of Corporation B; spouse B owns 75 per cent of the shares of Corporation B; therefore, Corporation A and Corporation B are associated
- one of the corporations was controlled by one person and that person was related to each member of a group of persons that controlled the other corporation and the one person owned not less than 25 per cent of the shares of the other corporation; e.g., spouse A owns 100 per cent of Corporation A and 25 per cent of Corporation B. The other 75 per cent of the shares of Corporation B are owned by spouse B (25 per cent) and two adult children (25 per cent each); therefore, Corporation A and Corporation B are associated
- each of the corporations was controlled by a related group and each of the members of one of the related groups was related to all of the members of the other related group and one or more members of both the related groups either alone or together owned, in respect of each corporation, not less than 25 per cent of the issued shares; e.g., Corporation A is controlled by spouse A (45 per cent), spouse B (35 per cent) and their adult children (20 per cent); Corporation B is controlled by spouse B (45 per cent) and spouse A (40 per cent) and their adult children (15 per cent). Each of the members of the related group which controls corporation B is related to each of the members of the related group that controls Corporation A and spouse A and spouse B each own in excess of 25 per cent of the shares of each corporation; therefore, Corporation A and Corporation B are associated.

Glossary of Terms

Associated Employer

Follows the same rules as 'associated corporation'. Although these rules refer to corporations, their application is extended under the *Employer Health Tax Act* to include individuals, partnerships, trusts or any other organization, as follows:

- if an eligible employer is an individual, that individual is treated as if he or she is a corporation (i.e., the employer is deemed to be a corporation, all of the shares of the capital stock of which have full voting rights under all circumstances and are owned by the individual)
- if an eligible employer is a partnership or trust, that partnership or trust is treated as if it is a corporation (i.e., the partnership or trust is deemed to be a corporation having only one class of issued shares which have full voting rights under all circumstances). Each partner or beneficiary is considered to own shares in the corporation in the same proportion in which he/she shares the income or loss of the partnership or trust.

For more information refer to [EHT Information Bulletin 1-98 Associated Employers](#).

Canadian-controlled Private Corporation and Private Corporation

A Canadian-controlled private corporation (CCPC) is a private corporation that is not controlled directly or indirectly in any manner whatever by non-residents, public corporations or any combination of the two. A private corporation is a corporation that is resident in Canada that is not a public corporation and is not controlled directly or indirectly by non-residents, public corporations or prescribed federal Crown corporations.

Please see the *Income Tax Act* (Canada) S. 125(7) for a full definition of Canadian-controlled private corporation.

Please see the *Income Tax Act* (Canada) S. 89(1) for a full definition of a private corporation.

Control

Generally control exists where a corporation, a person or a group of persons own more than 50 per cent of the fair market value of the issued and outstanding shares of the capital stock of a corporation. Control may also exist if a person or groups of persons have direct or indirect influence that, if exercised, would result in control of the corporation.

Director Liability

Normally the incorporation of a business at the federal level or provincially under the Ontario Business Corporations Act, will limit the liability of the directors of a business.

However, a director of a corporation may be held personally liable when tax returns have not been filed and taxes have not been remitted. The Retail Sales Tax Act and the Tobacco Tax Act are two examples of statutes that have director liability legislation.



Effective Tax Rate	The effective income tax rate of a small business corporation is the difference between the general income tax rate and the rate of the Incentive Deduction for Small Business Corporations.
Fixtures	Anything that is permanently affixed to real property, such as windows, doors, built-in appliances, kitchen cabinets, vertical blinds.
Generally Accepted Accounting Principles	The basis on which Canadian financial statements are normally prepared.
Real Property	Land and anything permanently attached to land, such as buildings, driveways, roads, and sidewalks.
Surtax	The Incentive Deduction for Small Business Corporations (IDSBC) is clawed back by the application of a surtax on the amount by which the aggregate taxable income of the corporation and any associated corporation exceed the Ontario business limit. The amount of the surtax cannot exceed the amount of the IDSBC claimed by the corporation. The surtax will completely eliminate the benefit of the IDSBC where the taxable income of the corporation and any associated corporation exceed a threshold amount.
Tangible Personal Property	Personal property that can be seen, weighed, measured, felt or touched or that is in any way perceptible to the senses, and includes computer programs, natural gas and manufactured gas.
Telecommunication	Any transmission, emission or reception of signs, signals, writing, images or sound or intelligence of any nature by wire, radio, visual or other electromagnetic or laser-based system.
Telecommunication Services	Include local and long distance telephone and telegraph services, community antenna and cable television, pay television and transmission by microwave relay stations or by satellite.
Transient Accommodation	Lodging for less than one month in a hotel, motel, apartment, hostel, boarding house, tourist home, lodging house or similar establishment having four or more rooms available for accommodation.

Additional Sources of Information

Topic/Mandate	Contact
<ul style="list-style-type: none"> • Business start-up and existing • Import/export • Information on financial assistance/business plans • Federal and provincial programs related to business 	<p>Canada - Ontario Business Service Centre (joint federal-provincial information centre)</p> <p>Toll Free: 1 800 567-2345 Telephone: 416 775-3456 TTY: 1 800 457-8466 Website: www.canadabusiness.ca/ontario</p>
<ul style="list-style-type: none"> • Business name search • Registering or renewing business name, RST, EHT, WSIB • Master business licence 	<p>Ontario Business Connects (OBC)</p> <p>Toll Free: 1 800 565-1921 Telephone: 416 314-9151 Website: www.cbs.gov.on.ca/obc</p>
<ul style="list-style-type: none"> • Incorporation • Registration for corporations • Dissolution • Extra-Provincial Licences 	<p>Ministry of Government and Consumer Services, Companies Branch</p> <p>Toll Free: 1 800 361-3223 Telephone: 416 314-8880 TTY: 416 212-1476 Website: www.mgs.gov.on.ca</p>
<ul style="list-style-type: none"> • Goods and Services Tax (GST) • Payroll deductions (e.g. Canada Pension Plan, Employment Insurance) • Guide for Canadian Small Businesses • Small Business Web Page • Import/Export 	<p>Canada Revenue Agency</p> <p>Toll Free: 1 800 959-5525 (GST, payroll deductions and import/export enquiries)</p> <p>Website: www.cra-arc.gc.ca</p>
<ul style="list-style-type: none"> • Financing services • Consulting services • Venture capital 	<p>Business Development Bank of Canada</p> <p>Toll Free: 1 888 463-6232 Website: www.bdc.ca</p>
<ul style="list-style-type: none"> • Advisory services to help small and medium-sized enterprises grow • Small Business Enterprise Centres • Information on financial assistance 	<p>Ministry of Economic Development and Trade</p> <p>Toll Free: 1 866 668-4249 Telephone: 416 325-6666 Website: www.ontariocanada.com</p>
<ul style="list-style-type: none"> • Federal programs and services • Federal offices & service delivery location • Federal publications 	<p>Canada Enquiry Centre</p> <p>Toll Free: 1 800 O Canada (1-800-622-6232) TTY: 1 800 926-9105 Website: www.canada.gc.ca</p>



Topic/Mandate

Contact

- Liquor Licence

Alcohol and Gaming Commission of Ontario

Toll Free: 1 800 522-2876
Telephone: 416 326-8700
Website: www.agco.on.ca

- Motor Vehicle Licence

Ontario Motor Vehicle Industry Council

Toll Free: 1 800 943-6002
Telephone: 416 226-4500
Website: www.omvic.on.ca

- Municipal permits
- Licences
- Regulations

Clerk of the City, Town or Municipality in which the business will be located

Consult the Blue Pages of your telephone directory under “Municipal Services”

- Workplace safety and insurance

Workplace Safety and Insurance Board

Toll Free: 1 800 387-5540
Telephone: 416 344-1005
TTY: 1 800 387-0050
Website: www.wsib.on.ca

- Employment standards

Employment Standards Branch, Ministry of Labour

Toll Free: 1 800 531-5551
Website: www.labour.gov.on.ca

- Ontario Health Insurance Plan (OHIP)
- Health coverage

Ministry of Health and Long-Term Care

Website: www.health.gov.on.ca
Consult the Blue Pages of your telephone directory under “Health”

- Business statistics

Statistics Canada, Advisory Services

Toll Free: 1 800 263-1136
Telephone: 416 973-6586
Website: www.statcan.ca

The *Small Business Guide to the Most Frequently Asked Tax Questions* is produced by the Tax Revenue Division, Ministry of Revenue.

To order more copies of this guide, contact the Ministry of Revenue's Information Centre at 1 800 263-7965.

Visit www.rev.gov.on.ca to obtain the most current electronic copy of the *Small Business Guide to the Most Frequently Asked Tax Questions*.

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Questions les plus fréquemment posées*

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