

Important Notice

1998 Budget Changes Re Incentive Deduction for Small Business Corporations and Manufacturing and Processing Profits Credit

The rate change to the Incentive Deduction for Small Business Corporations (IDSBC) and Surtax announced in the May 5, 1998 Ontario Budget has received legislative authority through Bill 15 which received Royal Assent on June 26, 1998.

Corporations claiming the IDSBC and filing a tax return for a taxation year ending during the period May 5, 1998 to December 31, 1998 **must** use the calculations on the reverse of this page and attach a copy to their return. Do not use the calculations on the current CT23 or CT8 to determine your IDSBC or surtax.

In addition, corporations claiming the **Manufacturing and Processing Profits Credit** (M&P) who are subject to the **Surtax** must make the following change to their M&P calculation. In the calculation "**Adjustment for Surtax on Canadian-controlled private corporations**", on page 3 of the CT23, replace the preprinted rate of 6.0% with the adjusted rate determined on line [78] of the insert for the IDSBC.

However, those corporations claiming an IDSBC and who are filing a tax return for a taxation year ending prior to May 5, 1998 will not need to use this amended IDSBC calculation.



Incentive Deduction for Small Business Corporations (Small Business Tax Credit) (IDSBC) (S.41)

Note: To be used only if claiming the incentive for Small Business Corporations for taxation years commencing after May 5, 1998 and ending before January 1, 2000.

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year? (✓) Yes No

(If section is not completed, IDSBC will be denied.)

Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a)) 50

Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b)) + 51

Add: Losses of other years deducted for federal purposes (fed.s.111) + 52

Subtract: Losses of other years deducted for Ontario purposes (s.34) - 53

= 54

Business limit for the year before the application of fed.s.125(5.1)
(not exceeding \$200,000) (attach T2013 if associated) 55

Income eligible for the IDSBC From 30 % X 56 = 60

* Ontario Allocation Least of 50, 54 or 55

Calculation of IDSBC Rate

(for taxation years ending after May 4, 1998 and before Jan 1, 2000)

		Number of Days in Taxation Year			
		Days before May 5, 1998	Total Days		
6.0% X	71	↓	73	=	+ 72 %
		Days after May 4 1998 and before Jan 1, 1999			
		Total Days			
6.5% X	74	↓	73	=	+ 75 %
		Days after Dec 31, 1998 and before Jan 1, 2000			
		Total Days			
7.0% X	76	↓	73	=	+ 77 %

IDSBC Rate for Taxation Year + 72 + 75 + 77

Claim From 60 X From 78 % = 70

Note: Ontario Allocation for IDSBC purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).

Surtax on Canadian-controlled private corporations (s.41.1)

Applies to taxation years ending after December 31, 1991 if you have claimed the Incentive Deduction Business Corporations.

**** Short Taxation Years** - Special rules apply where the taxation year is less than 51 weeks for the corporation and/or any corporation associated with it.

Associated Corporation -The taxable income of associated corporations is the taxable income for the taxation year ending on or before the date of this corporation's taxation year end.

"Taxable Income of the corporation From 10 (or 20 if applicable) + 80

If you are a member of an associated group (✓) 81 (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space, attach schedule)	Corporations Tax Number (if applicable)	Taxation Year End	** Taxable Income (if loss, enter nil)
_____	_____	_____	+ 82
			+ 83
			+ 84
			= 85

Aggregate of Taxation Incomes 80 + 82 + 83 + 84, etc.

Subtract: 200,000

(if negative, enter nil) = 86

Calculation of Specified Rate for Surtax

		Number of Days in Taxation Year			
		Days before May 5, 1998	Total Days		
4.0% X	71	↓	73	=	+ 91 %
		Days after May 4, 1998 and before Jan 1, 1999			
		Total Days			
4.33% X	74	↓	73	=	+ 92 %
		Days after Dec 31, 1998 and before Jan 1, 2000			
		Total Days			
4.67% X	76	↓	73	=	+ 93 %

Specified rate of surtax for taxation year 91 + 92 + 93

From 86 X From 94 % = 87

From 87 X From 60 ÷ 200,000 = 88

Surtax Lesser of 70 or 88 = 100