Ontario

Guide to the 2001 CT8 Corporations Tax Return

An Information Guide including 2000 budget items and other legislative amendments.

General Information, Forms & Publications

Revenue Operations and Client Services Branch (ROCSB) :

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

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

Corporations Tax Branch Enquiries

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

- read the appropriate sections of this guide;
- read the appropriate sections of other publications we mention in this guide;
- prepare all the details of your situation and questions;
- have on hand the working copy of your CT8, any related papers or receipts, a pencil and some paper; and
- have the following account numbers available;
- Ontario Corporations Tax Account No. (MOF), and
- Canada Customs and Revenue Agency Business Number (CCRA).

Accounts

Payments, interest and penalties

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

Desk Audit

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

- Toronto (416) 920-9048 ext. 6559 French ext. 5639
- Oshawa (905) 433-6559
- Toll-Free 1-800-262-0784 ext. 6559 French ext. 5639
- Fax (905) 433-6364

Specialty Assessments

Specified refundable tax credit

- Toronto (416) 920-9048 ext. 5450
- Oshawa (905) 436-5450
- Toll-Free 1-800-262-0784 ext. 5450
- Fax (905) 433-6137

Returns Processing Centre

Paper

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

Quality Assurance

Ontario Business Research Institute Tax Credit (OBRITC) advance rulings

- Toronto (416) 920-9048 ext. 6618
- Oshawa (905) 433-6618
- Toll-Free 1-800-262-0784 ext. 6618
- Fax (905) 433-6998

Tax Roll Services

Name/address/telephone changes, dissolutions/revivals/amalgamations

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

Hours of Service

Monday to Friday 8:30 a.m. to 5:00 p.m.

Ministry of Finance Website

www.gov.on.ca/fin

Write to us at

Ministry of Finance
Corporations Tax Branch
Unit Name (From above)
PO Box 622
33 King Street West
Oshawa ON L1H 8H6

Cette publication existe aussi en français

0231 Q (01-02)

The Corporations Tax Act

This Guide is provided for convenience only. For legislative accuracy refer to the *Corporations Tax Act*, R.S.O. 1990, Chapter 40 as amended. Failure to comply with the provisions of the Act may result in loss of your Ontario Charter, dissolution and forfeiture of the corporation's property to the Crown.

References to the *Corporations Tax Act* are noted in this manner – s.5 (meaning refer to section 5).

References to the Ontario Ministry of Finance Information or Interpretation Bulletins are noted – Inf.B.2744 or Int.B.2618. Copies of these Bulletins may be obtained by contacting Revenue Operations & Client Services Branch at the telephone number or address listed on page 2 of this guide.

References to the federal *Income Tax Act* are noted – fed.s.125.

Submitting your CT8

Generally, every insurer carrying on a business in Ontario through a permanent establishment (as defined in s.4) must submit a Corporations Tax Return – CT8.

A completed CT8 and supporting documents must be submitted within 6 months after the end of your taxation year. If the CT8 Return is filed late, a penalty may be imposed. The penalty for filing incomplete or late returns that are required to be filed before December 18, 1998, is 5% of the amount of the deficiency in the tax account for the taxation year, as of the day the return was required to be filed (six months following the taxation year end), with no maximum amount.

Rules for Calculating Penalty

The following penalties may be imposed for filing incomplete or late CT8s that are required to be filed on or after December 18, 1998. A taxpayer having 1 late filed CT8 may be subject to a penalty of 5% of the deficiency in the tax account for the taxation year, plus an additional 1% for each full month that the CT8 is late, to a maximum of 12 months. A taxpayer having 2 late filed CT8s within 4 taxation years may be subject to a penalty on the latter return of 10% plus 2% for each full month that the CT8 is late to a maximum of 20 months.

Attach a complete copy of:

- The corporation's financial statements for the taxation year;
- Financial statements of all partnerships or joint ventures of the corporation;
- The federal Corporate Income Tax Return including all schedules and other information filed with the return and
- Federal Part VI Tax Return.

Send your tax payment(s), payable to the Minister of Finance, and completed CT8 to:

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

Need help completing the form? Call the Desk Audit Section, Corporations Tax Branch, Ministry of Finance at the telephone number listed on page 2 of this guide.

CT8 Design

This return contains 12 pages plus 4 pages of CT8 schedules. Schedules A-E pertain to corporations subject to the Corporate Minimum Tax (CMT), Schedule F pertains to the Co-operative Education Tax Credit (CETC) and Schedule G pertains to the Graduate Transitions Tax Credit (GTTC).

Return Highlights

Identification (Page 1)

Complete the page accurately in order to avoid delays in processing the return and to enable proper identification of your application.

Income Tax (Pages 2 - 4)

- The 2000 Ontario Budget introduced a two step reduction to the Ontario corporate income tax rate. Effective May 2, 2000 the rate is reduced from 15.5% to 14.5% and a further reduction from 14.5% to 14.0% took effect on January 1, 2001. For a taxation year that straddles an effective date, the rates will be prorated. This measure received legislative authority through Bill 72 which received Royal Assent on June 23, 2000.

On page 2, line 40 enter the amount of the corporation's Income Tax that you determine. Enter NIL if reporting a non-capital loss.

- The 2000 Ontario Budget introduced a series of measures to enhance and extend, for ***Ontario purposes only***, the incentive deduction for small business corporations (IDSBC). To enhance the IDSBC the pre-budget Ontario business limit of $200,000 will be increased beginning January 1, 2001 by annual increments of $40,000 on January 1 of each year until it reaches $400,000 on January 1, 2005. In addition, during the same period the IDBSC will be extended to more corporations by increasing the phase-out limit of $500,000 by $100,000 each year until it reaches $1,000,000 on January 1, 2005. The above increases will be prorated for a taxation year that straddles an effective date based on the days in a specific rate period over the total days in the taxation year. The following chart provides the details of the business limit and phase-out limit changes. Legislation enacting these measures was included in Bill 72 which received Royal Assent on June 23, 2000.

Ont Bus Limit	IDSBC Phase-Out Range	Applicable Period
$200,000	$200,000 to $500,000	Prior to January 1, 2001
$240,000	$240,000 to $600,000	2001 calendar year
$280,000	$280,000 to $700,000	2002 calendar year
$320,000	$320,000 to $800,000	2003 calendar year
$360,000	$360,000 to $900,000	2004 calendar year
$400,000	$400,000 to $1,000,000	2005 calendar year and thereafter

If applicable, please complete:

- The federal business limit determined prior to the application of fed.s.125(5.1) as used in calculating the Incentive Deduction for Small Business Corporations (IDSBC) on page 2, line 55;
- If claiming an IDSBC, check the YES box and complete lines 50, 54, 55 on page 2.

The 2000 Ontario budget introduced proposals to enhance and accelerate the series of rate reductions to the IDSBC initiated in the 1998 Ontario Budget. The 8 year period to fully implement the rate reductions announced in 1998 has been reduced to 7 years and these measures will now be fully implemented effective January 1, 2005. The schedule below outlines the IDSBC rates, the corresponding surtax rates and the applicable periods to which the rates apply. This 2000 Budget measure obtained legislative authority through Bill 72 which received Royal Assent on June 23, 2000.

For taxation years straddling more than one rate period, each applicable rate must be prorated based on the ratio that the number of days in the particular period of the taxation year is to the total days in the taxation year.

IDSBC Rate	Surtax Rate*	Applicable Period
6%	4.0%	before May 5, 1998
6.5%	4.33%	after May 4, 1998 and before January 1, 1999
7.0%	4.67%	1999 calendar year
7.5%	5.0%	2000 and 2001 calendar years
8.0%	5.333%	2002 calendar year
8.5%	5.667%	2003 calendar year
9.0%	6.0%	2004 calendar year
10.0%	6.667%	January 1, 2005 and thereafter

* applies to a corporation where its taxable income and all associated corporations' taxable income exceeds the Ontario business limit.

Capital Gains – The 2000 Ontario Budget announced that Ontario would reduce the inclusion rate for capital gains from 75% to 66⅔% effective for capital gains realized after February 27, 2000. In addition as announced in a News Release "Province Forecasts $1.4 Billion Surplus" dated December 4, 2000 it was announced by the Minister of Finance that Ontario will further reduce the capital gains inclusion rate from to 66⅔% to 50% effective retroactively to capital gains realized after October 17, 2000. These changes and effective dates coincide with the federal treatment regarding capital gains inclusion rate reductions.

On line 230 enter the amount of the corporation's Income Tax that you determine. Enter NIL if reporting a non-capital loss.

- If applicable, please attach Schedule of computations on the Credit for Foreign Taxes Paid 170.

Exemptions

Every insurer having a permanent establishment in Ontario is subject to pay income tax except for the following, which may be wholly or partially exempt:

a. A fishing or farming property insurer that meets the conditions of fed.s.149(1)(t) as made applicable by s.57(1)(a).

b. A benevolent or fraternal benefit society, the profits of which are not derived from carrying on a life insurance business (fed.s.149(1)(k) as made applicable by s.57(1)(a)).

c. A mutual benefit society, employees' mutual benefit society, a non-profit medical insurance association (s.57(1)(b)).

d. A corporation established or incorporated solely in connection with, or for the administration of, a registered pension fund or plan (fed.s.149(1)(0.1) as made applicable by s.57(1)(a)).

e. Foreign insurance corporations, the profits of which are derived from marine insurance.

f. The non-marine underwriter members operation on the plan known as Lloyds.

Special Additional Tax (SAT) (Page 4)

Applies to life insurance corporations for taxation years ending after April 30, 1992. (Attach a copy of the federal Part VI Tax Return for the same taxation year).

Qualifying Environmental Trust (QET) (Page 12)

Ontario has parallelled the federal income tax treatment regarding qualifying environmental trusts. The tax credit is treated as a deemed payment on account of taxes payable. If you are claiming the QET, enter the total amount of the QET credit on line 985 , on page 12 of the CT8.

Specified Tax Credits (Page 4)

The following 4 tax credits are specified refundable tax credits. These credits must first be applied individually to reduce taxes payable (income, premium and capital) and any unused portion of the tax credits will be treated as a deemed payment on account of taxes payable. For administrative ease, the sum of the 4 credits should be entered on line 220 on page 4 of the CT8. Enter the amount of the specified tax credit applied to reduce income tax on line 225 on page 4 of the CT8, to reduce SAT on line 315 on page 5 of the CT8 and to reduce premium tax on line 521 on page 7 of the CT8. Enter any unused portion of the specified tax credit to be used as a deemed payment on the summary on line 955 on page 12 of the CT8.

Ontario Innovation Tax Credit (OITC) (Page 4)

If claiming the OITC, complete and attach the OITC Claim form and enter the total amount on page 4, line 191. Claim forms may be obtained from the Ministry of Finance by the Revenue Operations and Client Services Branch at the numbers shown on page 2 of this guide.

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

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

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

- whose taxable paid-up capital or "adjusted taxable paid-up capital" in the preceding taxation year, is greater than $25 million, but less than $50 million, and;
- whose federal taxable income is more than $200,000, but less than $400,000 in the preceding taxation year.

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

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

Co-operative Education Tax Credit (CETC)

(Pages 4 & 16)

If claiming this credit complete Schedule F on page 16 and enter the total tax credit claimed on page 4, line 192 (s.43.4). Retain the letter of certification or voucher – **do not** include it with your CT8.

The CETC is a 10% (15%) tax credit available to taxpayers hiring eligible university or college students enrolled in a recognized post-secondary education program. Ontario corporations with a permanent establishment in Ontario subject to Ontario corporate income tax are eligible for the credit.

There are two types of work placements: co-operative work placements which commence after July 31, 1996 and leading edge technology (LET) work placements which commence after December 31, 1997.

The 10% rate applies to corporations whose prior years salaries and wages paid are equal to $600,000 or more. An enhanced credit of 15% is available to businesses whose previous year's payroll was $400,000 or less. The enhanced credit is phased out for payroll between $400,000 and $600,000. The enhanced credit applies to work placements commencing after December 31, 1997.

The maximum credit is $1,000 for each work placement, regardless of the rate claimed in calculating the credit.

A qualifying co-operative work placement must be a minimum of 10 weeks while a **qualifying leading edge technology work placement** must be a minimum of 10 weeks with an average of 24 hours of employment per week. For all work placements, the maximum employment period is four months.

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

Eligibility for the CETC requires:

- A letter of certification from the Ontario college, university or other post-secondary institution, as prescribed by the Minister, stating that the student is enrolled in a qualifying education program; or
- A voucher for the leading-edge programs stating that the education programs meet the definition of a qualifying program in leading-edge technology and that the work performed by that student during the work placement is in a related field.

For a LET work placement commencing before March 1, 1999 refer to the important notice section of the Ontario Jobs Opportunity Voucher for special instructions.

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

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

Graduate Transitions Tax Credit (GTTC)

(Pages 4 & 16)

If claiming this credit, complete Schedule G on page 16 of the CT8 and enter the total tax credit claimed on page 4, line 195 of the CT8 and enter the total number of graduates hired on page 4, line 194 of the CT8.

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

If the qualifying employment commenced after May 6, 1997, but before January 1, 1998, the GTTC rate is 10 percent.

If the qualifying employment commenced after December 31, 1997, the following rates apply:

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

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

- Qualifying employment is considered to be working an average of more than 24 hours per week during the work placement.
- The tax credit may only be claimed by the corporation based on qualified expenditures paid during the first twelve-month period of qualified employment. The credit must be claimed in the taxation year in which the last day of the twelve-month period of employment falls. The minimum employment period to qualify for the GTTC is six consecutive months.
- Consecutive periods of employment by two or more associated corporations is considered to be one continuous period of employment.
- Qualifying post-secondary graduates must have graduated from a prescribed program of study, as prescribed by the regulations, within the past three years and **cannot be related** to the qualifying employer.
- Qualifying graduates must have been unemployed or have not been employed by any person for more than 15 hours per week for at least 16 of the last 32 weeks immediately preceding the first day of qualifying employment.
- A person who is considered to be a full-time student by the educational institution, is deemed to be employed while enrolled in a prescribed program of study.
- Qualifying expenditures are salaries and wages, including taxable benefits, paid or payable to the employee during the first twelve-month period of employment, less any related government assistance received, including assistance received by associated corporations in respect of the qualifying employment (including grants, subsidies and forgivable loans).

For additional information on the GTTC, refer to Tax Legislation Bulletin. Number 98-2R1, dated June 2000.

Ontario Business-Research Institute Tax Credit (OBRITC) (Page 4)

If claiming the OBRITC, complete the schedule and enter the tax credit on page 4, line 198 of the CT8.

The OBRITC, introduced in the 1997 Ontario Budget, is a 20% refundable tax credit on all qualified research and development expenditures incurred in respect of an eligible research contract entered into, between a corporation operating in Ontario and an eligible research institute, during the taxation year after May 6, 1997; to the extent that no tax credit was claimed for a prior taxation year on these expenditures.

- **An advance ruling is required from the Minister** with respect to the contract, prior to the corporation incurring any expenditures. If the corporation incurs an expenditure under more than one contract, an advance ruling must be obtained for each of the contracts. When expenditures are incurred prior to the advance ruling being obtained, the expenditures will be considered made after the ruling, provided:
  - the corporation subsequently obtains a favourable ruling;
  - the ruling was applied for within 90 days of the later of, the day the contract was made and December 18, 1997; or
  - the ruling was made within 3 years after the contract was made, if the Minister is satisfied that the corporation could not apply earlier because of factors beyond its control.
- An eligible contract is:
  - one entered into by a corporation or a partnership with an eligible research institute if the eligible research institute agrees to directly perform in Ontario scientific research and experimental development related to a business carried on in Canada by the corporation or partnership; and
  - the contract is entered into after May 6, 1997 or, if entered into prior to May 7, 1997, the terms of the contract are such that the research institute will continue to carry out scientific research under contract until after May 6, 1999.
- An eligible research institute means a provincially (Ontario) assisted post-secondary institute such as:
  - a university or college of applied arts and technology in Ontario;
  - an Ontario Centre of Excellence;
  - a non-profit organization that is prescribed by the regulations; and
  - a hospital research institute.

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

Corporate Minimum Tax (CMT)
(Pages 6, 13, 14 & 15)

Complete if your Total Assets exceeds $5,000,000 or Total Revenue exceeds $10,000,000. These amounts include the aggregate of the total assets and total revenue of any associated corporation. These amounts also include the corporation's and/or any associated corporation's share of any partnership/joint venture total assets and total revenue. Your insurance corporation is exempt from CMT if it is exempt from income tax or is a non-resident corporation that is subject to income tax only because it disposed of taxable Canadian property situated in Ontario. Life Insurance Corporations that are subject to both the CMT and SAT must complete the CMT calculations prior to finalizing the SAT. Corporations that are subject to CMT should complete page 4 of the CT8 and the applicable CMT schedules on pages 13, 14 & 15. Although corporations filing CT23 tax returns on or after June 1, 1995 are either allowed to file their returns electronically or on computer disk, insurance corporations must continue to file paper CT8 tax returns. (Refer to Information Bulletin 2749 dated March 1995)

Premium Tax (Page 7)

Every insurer is liable to the premium tax on total taxable premiums unless exempted by one of the following provisions:

Exemptions

a. Fraternal societies with respect to contracts entered into prior to the first day of January 1974, (s.74(7)(d)).

b. Mutual benefits societies, pension funds, employees' mutual benefits societies and not profit medical insurance associations (s.74(7)(e) and (f)).

Partial Exemptions

c. Premium paid for annuities (s.74(1)).

d. Marine insurance premiums (s.74(7)(a)).

e. Premiums payable under contracts of insurance issued on the premium note plan by mutual insurance corporations insuring agricultural and other non-hazardous risks, the sole business of which is carried on in Ontario (s.74(7)(b)).

f. Premiums payable to mutual insurance corporations insuring agricultural and other non-hazardous risks, which are parties to the agreement pursuant to s.169 of the *Insurance Act*, established the Fire Mutuals Guarantee Fund (s.74(7)(c)).

Note:

1. Fraternal societies are liable to the premium tax with respect to all insurance contracts entered into on or after January 1, 1974.
2. The premium tax applies to insurers, including underwriters and syndicates of underwriters, operation on the plan known as Lloyds.
3. Segregated fund premiums (other than annuities) are subject to premium tax.
4. Associations registered under the *Prepaid Hospital and Medical Services Act* are deemed to be insurance companies for purposes of the insurance premium tax. This change is effective for premiums received under new or substantially modified contracts and for renewals of existing contracts coming into effect after May 19, 1993.

Additional Tax of ½ of 1% on Property Premiums

Every insurance corporation writing property premiums in Ontario is liable to the additional tax of ½ of 1% on property premiums. This also applies to fraternal societies as defined in the *Insurance Act* and to underwriters and syndicates of underwriters which operate on the plan known as Lloyds. There are no exceptions.

Premium Tax on Uninsured Benefits Arrangements (UBA) (Page 7)

Complete this section if you administer Ontario-related UBA and are liable to collect and remit premium tax related to the UBA. This provision applies to corporations and to unincorporated entities. If reporting UBA premiums, enter the amount of UBA premiums on line 510 on page 7 of the CT8 and the related amount of premium tax on line 514 on page 7 of the CT8.

If an UBA plan has more than one administrator at the same time, one administrator may file an election in a letter form to account for all tax owing for the plan. The letter must include the name of the plan, name and address of all administrators of the plan and a certification that all tax has been accounted for during the period covered by the election.

If partners of a partnership are each administrators of the same plan, the partners may wish to account for their UBA liability for the taxation year by filing a joint CT23 tax return for their UBA tax only. A letter signed by each partner, must be filed with each joint return certifying that the partners' UBA liability has been reported in full for the taxation year.

Registered Insurance Brokers

If you are a registered insurance broker who has placed insurance with an insurer not licensed in Ontario, please enter the total net premiums subject to tax on lines 390, 440, and 480 as applicable, and the related premium taxes on lines 511, 512 and 513. You should also answer "yes" to the following question on page 1 of the return, "Are you an insurance broker remitting premium tax with respect to insurance contracts placed with unlicensed insurers?" (A registered insurance broker that is a corporation filing a CT23 return should report this tax on the CT23, not on this CT8 return.)

The premiums are subject to tax under the *Corporations Tax Act* if they are received by brokers during their taxation years commencing after 1997.

Insurance Exchanges

If you are a reciprocal or inter-insurance or inter-insurance exchange, please enter the total net premiums subject to tax on lines 445 and 485 as applicable, and the related taxes on lines 512 and 513.

You should also answer "yes" to the following question on page 1 of the return, "Are you a reciprocal or inter-insurance exchange within the meaning of the *Insurance Act* ?".

Insurance exchanges are required to pay premium tax under the *Corporations Tax Act* for premiums collected in taxation years commencing after 1997.

Allocation (Page 8)

If applicable, complete the schedule and enter the Ontario allocation percentage on line 572 of the CT8.

Reconciliation of net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes (Pages 9 & 10)

Enter Net Income for federal income tax purposes on line 600 and Net Income for Ontario purposes on line 690 of the CT8, even if these amounts do no require reconciliation with each other or with Net Income per financial statements, e.g. if net income for federal income tax purposes and net income for Ontario purposes both equal $10,000.

Transfer the net income (loss) determined on page 10, line 690 to page 2 of the CT8.

The following changes were introduced in the 1997, 1998 and 1999 Ontario budgets.

Royalties (Page 9)

As announced in the 1999 Ontario budget, the following royalties will no longer be subject to the 5/15.5 add-back rule:

Amounts paid or payable to a non-arm's length non-resident person or a a non-arm's length non-resident owned investment corporation:

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

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

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

The 1997 Ontario Budget introduced the following amendment re: Management fees, rent, royalties and similar payments:

- Where a corporation has made payments to a related non-resident person for the use of, or the right to use, in Canada, computer software, or a patent or information concerning industrial, commercial or scientific experience, or a design or model, plan, secret formula or process such payments will not be included in Ontario's 5/15.5 add-back rule if the payment is exempt from tax under Part XIII of the *Income Tax Act* (Canada) by virtue of a tax treaty or convention between Canada and another country. This change is applicable in respect of amounts paid or payable and deducted in computing taxable income after December 31, 1997, but before May 5, 1999.

Ontario New Technology Tax Incentive (ONTTI) (Page 10, line 663)

The ONTTI, introduced in the 1997 Ontario Budget, is a 100% capital cost allowance on the eligible capital cost of an arm's length acquisition of prescribed intellectual property such as patents, know-how, licences, etc., (excluding trade-marks and copyrights) if used to implement a process, an innovation or an invention in Ontario.

The eligible costs of qualifying intellectual properties are included in a class 12 capital cost allowance pool and allowed as a 100% deduction from income in the year of acquisition.

Multi-jurisdictional firms that use the technology in Ontario and in other parts of the country are entitled to a share of the capital cost allowance in proportion to the level of activity in Ontario. If the technology is used exclusively in Ontario, the corporation is entitled to a "gross-up" deduction under s.13.1 similar to the R&D Super Allowance. The "gross-up" deduction is entered on page 10, line 663 .

The maximum eligible expenditures allowed in a year is $20 million for a corporation, or if associated, $20 million for the associated group of corporations.

Both the capital cost allowance and the gross-up deductions may be subject to recapture (add back to income) when the property is disposed.

For additional information on the ONTTI refer to Tax Legislation Bulletin, 98-12, dated October 1998.

Workplace Child Care Tax Incentive (WCCTI) (Page 10, line 666)

WCCTI, introduced in the 1998 Ontario Budget, is a 30% deduction of qualifying capital cost expenditures, incurred by a corporation to construct new on-site licenced child care facilities in Ontario, to renovate existing facilities in Ontario or for contributions made to an unrelated party for these types of expenditures.

The corporation must obtain from the child care operator written confirmation that the money or qualified contributions are used for the purposes of constructing or renovating a child care facility or for the acquisition of playground equipment. The child care operator must provide the corporation with its licence number under the *Day Nurseries Act*.

Corporations which allocate part of their taxable income to other jurisdictions are entitled to "gross-up" the WCCTI deduction to ensure that the full benefit of the deduction is realized.

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

Workplace Accessibility Tax Incentive (WATI) (Page 10, line 668)

The WATI, introduced in the 1998 Ontario Budget, provides a deduction in respect of qualifying expenditures incurred after July 1, 1998. The WATI can only be claimed once on a particular qualifying expenditure and is in addition to other deductions available for income tax purposes in respect of the qualifying expenditures.

The amount of the WATI for a corporation or partnership of which the corporation is a member during a particular taxation year is the total of:

1. The expenditures incurred to provide the support services of a sign language interpreter an intervenor, a note-taker, a reader or an attendant, during a job interview in Ontario.
2. Qualifying expenditures up to a maximum of $50,000 per qualifying employee, other than the qualified expenditures included in the amount determined under paragraph 1 above. The maximum of $50,000 per qualified employee is reduced by any qualified expenditures incurred in a prior taxation year in respect of the qualifying employee which were included in determining a WATI deduction in that prior year. Corporations with allocation to other jurisdictions are entitled to "gross-up" this amount to ensure that the full benefit of the deduction is realized.

A corporation or partnership making a WATI deduction must keep as part of their books and records a copy of the certificate or relevant documentation on which the corporation is relying in claiming that the employee is a qualifying individual.

For additional information on the WATI refer to Tax Legislation Bulletin, Number 99-1, dated August 1999.

Educational Technology Tax Incentive (ETTI)

(Page 10, line 673)

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

The ETTI is available to corporations and to a corporation that is a general partner in a partnership where the partnership has made the price discount or donation.

In order to claim this incentive the corporation must obtain a certificate issued by the eligible educational institution which received the donation or price discount stating that the equipment or technology meets the conditions of eligibility for the ETTI. The certification form **must** be retained by the corporation in order to claim this incentive. The certificate should **not** be submitted with the corporation's tax return.

If claiming the ETTI enter the total eligible amount for donations and price discounts in line 672 on page 10 of the CT8 return. The amount of ETTI claim should be entered in line 673 and will be 15% of the amount in line 672 for corporations operating only in Ontario (100% allocation to Ontario). For multi-jurisdictional corporations (less than 100% allocation to Ontario) the amount in line 672 must be grossed up by dividing it by the corporation's Ontario allocation factor. The 15% incentive is then taken on the grossed up figure and entered in line 673.

For additional information on the ETTI refer to Tax Legislation Bulletin on the Educational Technology Tax Incentive which is expected to be available in early Spring of 2001 or by contacting the Corporations Tax Branch, Tax Advisory Section at (905) 433-6513.

Continuity of Losses Carried Forward – Analysis of Balance by Year of Origin (Page 11)

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

Note: Commencing with the 2001 CT8 tax return capital losses are now shown at 100% of losses (before applying the inclusion rate).

Request for Loss Carry-Back (Page 12)

Complete this schedule if the corporation is carrying back a non-capital or net capital loss. The onus is on the taxpayer to substantiate any loss being carried back to a prior year.

Summary of Taxes Payable (Page 12)

In the summary section, carry forward the amounts of Income Tax, Special Additional Tax, Corporate Minimum Tax, Premium Tax and enter the total on page 12, line 950. As well, enter payments made on page 12, line 960. Corporations may enter their QET on page 12, line 985. If claiming the Specified Tax Credits, enter the unapplied amount (see Specified Tax Credits section) on page 12, line 955.

If you are requesting a refund

- for the full overpayment, complete line 975 – any related credit interest will also be refunded.
- if you want the total overpayment, including any related credit interest, to be applied to a particular taxation year, complete the "Apply to" field, but leave line 980 blank.
- if you want to apply a specific amount to a taxation year, complete "Apply to" field and put the amount in line 980 – any remaining balance will be refunded.

Certification (Page 12)

Complete the "Certification" section by providing the name, address, and title of the authorized signing officer of the corporation. Be sure to sign and date the Return.

Corporate Minimum Tax (CMT) Schedules A to E (Pages 13, 14 & 15)

Complete Schedules A to E only if the corporation is subject to the CMT and carry forward applicable totals to page 6 of the CT8.