

CORPORATION CAPITAL TAX RATE INCREASE FOR FINANCIAL INSTITUTIONS

As a result of the March 22, 2017 budget, the Corporation Capital Tax rate for financial institutions has been increased to 4.00 per cent from 3.25 per cent. The rate for small financial institutions with taxable paid-up capital less than \$1.5 billion remains at 0.7 per cent.

The new rate of tax is effective April 1, 2017.

PAYMENT OF TAX

The tax payable must be determined using a tax rate of 3.25 per cent for the period prior to April 1, 2017 and a tax rate of 4.0 per cent for the period on or after April 1, 2017.

For example, a financial institution with a January 1, 2017 to December 31, 2017 fiscal year and taxable paid-up capital of \$10 million would determine its tax as follows:

$$\begin{aligned} &(\$10 \text{ million} \times 3.25\%) \times 90/365 = \$80,137 \\ &(\$10 \text{ million} \times 4.00\%) \times 275/365 = \underline{\$301,370} \\ &\qquad\qquad\qquad \$381,507 \end{aligned}$$

Monthly instalment payments must be increased to reflect the new rate commencing with the instalment payment due April 30, 2017. A transitional provision is available to allow financial institutions to recalculate instalment requirements and make the required catch-up payments by June 30, 2017. The April, May, and June 2017 catch-up payments must be received by June 30, 2017, so that no interest charges will be levied for the transition period.

Please see *Appendix A* for the calculation of monthly instalment requirements as it applies to the rate increase.

FOR FURTHER INFORMATION

Write: Ministry of Finance
Revenue Division
PO Box 200
REGINA SK S4P 2Z6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

Email: sasktaxinfo@gov.sk.ca

Internet: Tax bulletins, forms and information are available at www.sets.saskatchewan.ca/taxinfo.

To receive automatic email notifications when this or any other bulletin is revised, go to www.sets.saskatchewan.ca/subscribe.

Government website: Saskatchewan.ca

APPENDIX A

DETERMINING INSTALMENT BASES AND MONTHLY INSTALMENTS REQUIRED

	Fiscal Year Jan 1, 2017 to Dec 31, 2017	Fiscal Year Jan 1, 2016 to Dec 31, 2016	Fiscal Year Jan 1, 2015 to Dec 31, 2015
Days in Fiscal Year	365	365	365
Actual Tax Liability	\$24,000	\$20,000	\$10,000

Option 1: Calculation based on current year tax payable

$$\frac{\$24,000}{12} = 2,000/\text{month}$$

Option 2: Calculation based on previous two fiscal years

For first 3 months $\frac{\$10,000}{12} = \$833/\text{month}$ (Second Instalment Base)

For next 9 months

April and May instalments (without rate increase) $\frac{\$20,000 - 3(\$833)}{9} = \$1,945$ (First Instalment Base)

April to December instalments (with rate increase) $\frac{\$20,000 - 3(\$833)}{9} \times \frac{4.0\%}{3.25\%} = \$2,394$ (First Instalment Base)

Note: The April and May instalments will be deficient if submitted based on a 3.25 per cent rate of tax. If the instalment deficiency is submitted by June 30, 2017, no interest charges will be incurred. In this example, the June instalment requirement will be \$3,292 [$\$2,394 + 2(\$2,394 - \$1,945)$].