

CT-4

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THE CORPORATION CAPITAL TAX ACT

CORPORATION CAPITAL TAX INSTALMENTS

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READER SURVEY

This bulletin has been prepared to help corporations understand their Corporation Capital Tax instalment requirements. It is a general guide and not a substitute for the legislation.

Changes to this bulletin are indicated by a (I) in the left margin.

The contents of this bulletin are presented under the following sections:

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A. INSTALMENT REQUIREMENTS

Corporations that are liable to pay tax are required to pay a monthly instalment payment on or before the last day of each month during their fiscal year. Examples of the calculation of monthly instalments are provided in the attached Exhibit.

If the monthly instalment payment amounts to \$400 or less, the corporation may, instead of paying a monthly instalment payment, pay the entire tax for the fiscal year at the time the corporation's Capital Tax return is filed. The return is due within six months after the fiscal year end.

B. GENERAL RULES

A corporation, other than a resource corporation that is liable for the Corporation Capital Tax Resource Surcharge, may calculate its monthly instalment payments based on either:

- (1) 1/12 of the tax payable for the current fiscal year; or
- (2) for the first three months, 1/12 of the tax payable for the fiscal year prior to the last

fiscal year, and for the next nine months, 1/9 of the difference between the tax payable for the last fiscal year and the amount paid for the first three months.

C. RESOURCE CORPORATIONS LIABLE FOR THE RESOURCE SURCHARGE

A resource corporation that is liable for the Corporation Capital Tax Resource Surcharge in the fiscal year may calculate its monthly instalment payments based on either:

- (1) 1/12 of the tax payable for the current fiscal year; or
- (2) 1/12 of the amount determined when the value of resource sales for the previous fiscal year is multiplied by the applicable tax rate(s). Refer to Information Bulletin CT-3 for further details on the definition of resource sales and Resource Surcharge rates.

In situations where a resource corporation was not liable for the resource surcharge in the previous fiscal year, the corporation should remit monthly instalments based on its tax payable for the current year referred to in option 1. In these situations, interest will not be charged if the monthly instalments are at least 75% of the tax payable for the year (1/12 each month of 75% of the total tax payable).

D. FIRST YEAR A CORPORATION BECOMES TAXABLE

In the first year a corporation becomes liable for tax, the corporation will be required to remit equal monthly instalments based on its estimate of the tax payable for the fiscal year. Interest charges will not be levied if instalment payments are at least 75% of the tax payable for the fiscal year (1/12 each month of 75% of the total tax payable).

E. SHORT FISCAL YEARS/PARTIAL YEAR FOR RESOURCE SURCHARGE

Where instalments are based on a prior short year, the tax payable figure used for that year must be increased to reflect the amount that would have been payable for a full year. Conversely, where the current fiscal year is less than 12 months, the tax payable figure for the prior years should be reduced to reflect the number of days in the current year. The number of instalments required will be dependent upon the number of months in the fiscal year. For example, for a fiscal year from January 1, 2018 to May 15, 2018, five monthly instalment payments will be required based on the tax payable for the previous years prorated for 135 days.

F. BALANCE OF TAX DUE/RETURN DUE DATE

The balance of tax due must be paid within six months after the end of the fiscal year. The Corporation Capital Tax return is also due at this time.

G. INTEREST ON UNPAID TAX

A corporation will not be charged interest if it remits instalments by the due date based on either of the prescribed methods. However, interest is charged on deficient or late instalments and also on any balance of tax due if it has not been paid within six months after the fiscal year end.

H. INTEREST ON OVERPAYMENTS

Credit interest will be paid on an overpayment of tax 21 days from the later of the date the overpayment is received, the day all documents and information required to verify the refund have been received, or the date all Corporation Capital Tax returns and tax has been paid. Interest will be paid up to and including the date of the assessment or re-assessment.

I. INTEREST RATES

Interest is charged at the prime lending rate plus three percentage points on deficient instalments and on any balance of tax that is not paid by the due date. Credit interest is calculated on overpayments at the prime lending rate.

The interest rates are determined on June 15 and December 15 in each year and are in effect for a six month period commencing at the beginning of July and January.

J. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

The Ministry Finance has made it possible for corporations to report and remit Corporation Capital Tax instalment payments electronically through the use of a standard Internet connection. SETS offers a secure, fast, easy and convenient alternative to filing instalments in a paper format.

Several E-File services are currently available through SETS, such as:

- File and pay Corporation Capital Tax instalment payments.
- File an instalment return and post-date the payment to the due date.
- View account balances for each fiscal year end.
- Authorize your accountant to file on your behalf.

Businesses may use SETS to file and pay returns for Provincial Sales Tax and other provincial taxes.

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

In-Person: Ministry of Finance
Revenue Division
2350 Albert St
REGINA SK S4P 4A6

Fax: 306-787-0241

Internet: Tax bulletins, forms and information are available at Saskatchewan.ca/business-taxes.

To receive automatic email notification when this or any other bulletin is revised, go to Saskatchewan.ca/business-taxes, then [Tax Information Updates](#) and click the "Subscribe" button.

Government website: Saskatchewan.ca

EXHIBIT

EXAMPLES OF DETERMINING INSTALMENT BASES AND MONTHLY INSTALMENT REQUIREMENTS

Example 1 - Complete Fiscal Years

| | Fiscal Year January 1, 2012 to <u>December 31, 2012</u> | Fiscal Year January 1, 2011 to <u>December 31, 2011</u> | Fiscal Year January 1, 2010 to <u>December 31, 2010</u> |
|----------------------|---|---|---|
| Days in Fiscal Year | 365 | 365 | 365 |
| Actual Tax Liability | \$48,000 | \$36,000 | \$12,000 |

Option 1: Calculation based on current year tax payable

$$\frac{\$48,000}{12} = \$4,000/\text{month}$$

Option 2: Calculation based on previous two fiscal years

For first 3 months, monthly instalment is

$$\frac{\$12,000}{12} = \$1,000/\text{month (Second Instalment Base)}$$

For next nine months, monthly instalment is

$$\frac{\$36,000 - 3(\$1,000)}{9} = \$3,667/\text{month (First Instalment Base)}$$

Example 2 - Short Fiscal Years

| | Fiscal Year January 1, 2012 to <u>May 31, 2012</u> | Fiscal Year January 1, 2011 to <u>December 31, 2011</u> | Fiscal Year October 1, 2010 to <u>December 31, 2010</u> |
|----------------------|--|---|---|
| Days in Fiscal Year | 151 | 365 | 92 |
| Actual Tax Liability | \$60,000 | \$40,000 | \$5,000 |

Option 1: Calculation based on current year tax payable

$$\frac{\$60,000}{5} = \$12,000/\text{month}$$

Option 2: Calculation based on previous two fiscal years

Tax for October 1, 2010 to December 31, 2010 considering a full year

$$\frac{\$5,000 \times 365}{92} = \$19,836$$

Tax for October 1, 2010 to December 31, 2010 considering a full year and the number of days in the current year

$$\frac{\$19,836 \times 151}{365} = \$8,206$$

For first 3 months, monthly instalment is

$$\frac{\$8,206}{5} = \$1,641/\text{month (Second Instalment Base)}$$

Tax for January 1, 2011 to December 31, 2011 considering the number of days in the current year

$$\frac{\$40,000 \times 151}{365} = \$16,548$$

For next 2 months, monthly instalment is

$$\frac{\$16,548 - 3(\$1,641)}{2} = \$5,812/\text{month (First Instalment Base)}$$

Example 3 - Resource Corporation Liable for the Resource Surcharge

| | <u>Fiscal Year</u> | <u>Tax Payable</u> |
|-----------------------|---|--------------------|
| Current Fiscal Year | January 1, 2012 to December 31, 2012 | \$24,000 |
| Preceding Fiscal Year | January 1, 2011 to December 31, 2011 | \$21,600 |

Value of Non Tier IV resource sales from January 1, 2011 to December 31, 2011 = \$600,000

Option 1: Calculation based on current year tax payable

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

Option 2: Calculation based on value of resource sales from January 1, 2011 to December 31, 2011 multiplied by 3.0%

$$\$600,000 \times 3.0\% = \$18,000$$

For 12 months, monthly instalment is

$$\frac{\$18,000}{12} = \$1,500/\text{month}$$