Information Bulletin

CCT-4

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THE CORPORATION CAPITAL TAX ACT

CORPORATION CAPITAL TAX RESOURCE SURCHARGE

This bulletin has been prepared to help corporations determine what items are to be included in the Corporation Capital Tax Resource Surcharge. It is a general guide and not a substitute for the legislation.

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

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

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A. **GENERAL INFORMATION**

Large resource corporations are subject to a CCT Resource Surcharge. For general information regarding the definition of a large resource corporation, tax rates, registration and reporting requirements please see Information Bulletin <u>CT-1</u>, *Corporation Capital Tax General Information*.

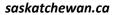
B. VALUE OF SASKATCHEWAN RESOURCE SALES

For the purposes of determining the Resource Surcharge, a corporation's value of Saskatchewan resource sales is defined to include the following resources:

Oil and Natural Gas

Value of resource sales means:

- In the case of Crown oil and gas, the product of:
 - the volume of oil and gas produced during each month in a fiscal year that is subject to Crown royalties pursuant to *The Crown Minerals Act* and the regulations made pursuant to that Act; and,
 - the well-head value that is applied to the volume of the oil and gas mentioned above in determining the amount of the Crown royalties payable pursuant to *The Crown Minerals Act* and regulations made pursuant to that Act.





- In the case of freehold oil and gas the product of:
 - the volume of oil and gas produced during each month in a fiscal year that is subject to freehold production taxes pursuant to *The Freehold Oil and Gas Production Tax Act* and the regulations made pursuant to that Act; and,
 - the well-head value that is applied to the volume of the oil and gas mentioned above in determining the amount of the freehold production taxes payable pursuant to *The Freehold Oil and Gas Production Tax Act* and the regulations made pursuant to that Act.

Note: Oil and gas produced during each month in a fiscal year that is subject to a 0.0% Crown royalty or freehold production tax **is taxable** for Resource Surcharge.

Exemptions for Oil and Gas

Freehold oil and freehold gas, as exempted pursuant to section 64 of *The Freehold Oil and Gas Production Tax Regulations, 1995,* will not be included in the calculation of total monthly production (excluding oil and gas subject to a 0.0% Crown royalty or freehold production tax)

<u>Uranium</u>

Value of resource sales means "gross revenue" as determined pursuant to section 9 of *The Crown Mineral Royalty Regulations*.

<u>Coal</u>

Value of resource sales means:

- in the case of Crown coal, the gross sales of Crown coal as determined pursuant to the provisions of Part II of the Crown Coal Royalties Schedule to *The Coal Disposition Regulations, 1988*. However, the ex-mine cost allowance as determined pursuant to section 5 of the schedule is not deducted in determining the gross sales of Crown coal; and,
- in the case of freehold coal, the net value of freehold coal as determined pursuant to section 4 of the First Schedule "Freehold Coal Production Tax" to *The Mineral Taxation Act, 1983*. However, the ex-mine cost allowance as determined pursuant to section 5 of this schedule is not to be deducted in determining the net value of freehold coal.

<u>Potash</u>

Value of resource sales means "gross revenue" as determined pursuant to section 5 of *The Potash Production Tax Regulations*.

C. VALUE OF RESOURCE SALES DEDUCTION

Small resource corporations may be entitled to an annual deduction of up to \$2,500,000 from the value of resource sales when calculating the Resource Surcharge.



Eligibility

Small resource corporations with gross assets of less than \$100 million may be entitled to a value of resource sales deduction. Gross assets are generally defined as the balance sheet value of total assets plus any amount written down and deducted from income or undivided profits, where the amount is not deductible under the Income Tax Act (Canada) or, if deductible, has not been deducted in computing taxable income for the fiscal year or a previous fiscal year. Gross assets also include reserves deducted pursuant to paragraph 20(1)(n) or subparagraphs 40(1)(a)(iii) or 44(1)(e)(iii) of the Income Tax Act (Canada).

Calculation

The value of resource sales deduction is to be deducted from the value of resource sales. The net value of resource sales will then be subject to the applicable Resource Surcharge rate.

The amount that a resource corporation may deduct from its value of resource sales is the lesser of:

- 1. its value of resource sales; and,
- 2. the amount A calculated in accordance with the following formula: A =\$2,500,000 x B x number of days in fiscal year С

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Where:

- (a) "B" means the salaries and wages paid in the fiscal year by the corporation to employees of its permanent establishments in Saskatchewan; and,
- (b) "C" means the aggregate of all salaries and wages paid in the fiscal year by the corporation and all of its associated corporations.

D. **DETERMINING TAX PAYABLE**

The Corporation Capital Tax of a resource corporation equals the sum of the existing Corporation Capital Tax liability and the Resource Surcharge. As of July 1, 2008, the general Corporation Capital Tax was eliminated. A resource corporation is required to continue to calculate their taxable paid-up capital on the annual Corporation Capital Tax return to determine if the Resource Surcharge is applicable. Corporations that meet the definition of a resource corporation and have a value of resource sales will apply the applicable rate times the value of resource sales.

ELECTIVE DEDUCTIONS Ε.

Corporations have the option of deducting unused Canadian exploration and development expenses and the additional exemption in determining taxable paid-up capital.

Corporations have the option of deducting unused Canadian exploration and development expenses for fiscal years ending after March 31, 1999. They also have the option of deducting the additional exemption for fiscal years beginning on or after January 1, 2002.

For further information, please see Information Bulletin CT-3, Allowable Deductions.



F. SASKATCHEWAN eTAX SERVICES (SETS)

Finance has made it possible to report and remit tax electronically through a secure, fast, easy and convenient online self-service portal. Several services are currently available to businesses through SETS:

- Register for secure, self-managed access to all your tax accounts.
- Apply for a new tax account.
- File and pay returns and amend previously filed returns.
- Make payments on account, including post-dated payments.
- View account balance and statement information.
- Authorize employees or accountants to file on your behalf.
- Receive notifications by email when a tax return should be filed. This replaces the paper forms usually sent in the mail.
- Submit a service request to update the mailing address or add a new business location.
- Submit a service request to receive tax information, interpretations or rulings related to your specific business activities.
- View and download up-to-date tax information promptly.
- Subscribe to receive email notifications when new and revised tax publications are available.

FOR FURTHER INFORMATION

Write:	Ministry of Finance	Telephone:	Toll Free 1-800-667-6102
	Revenue Division		Regina 306-787-6645
	PO Box 200		
	REGINA SK S4P 2Z6	<u>Email:</u>	<u>sasktaxinfo@gov.sk.ca</u>

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

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

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