

# Information Bulletin

---

CCT-2

Issued: January 1981

Revised: March 2026

---

## THE CORPORATION CAPITAL TAX ACT

### CORPORATION CAPITAL TAX AND PAID-UP CAPITAL

This bulletin has been prepared to help corporations determine what items are to be included in paid-up capital. 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:

- A. [General Information](#)
- B. [Paid-up Capital Stock](#)
- C. [Surpluses](#)
- D. [Loans and Advances](#)
- E. [Bonds, Debentures and Mortgages Payable](#)
- F. [Reserves](#)
- G. [Accrued Interest](#)
- H. [Dividends Payable](#)
- I. [Saskatchewan eTax Services \(SETS\)](#)

#### A. GENERAL INFORMATION

Corporation Capital Tax (CCT) applies to commercial Crown corporations and Financial Institutions operating in Saskatchewan, whose paid-up capital exceeds \$10 million. In general, paid-up capital is a company's shareholder's equity, surpluses, reserves, and long-term liabilities. For general information regarding tax rates, and registration and reporting requirements, see Information Bulletin [CT-1, Corporation Capital Tax General Information](#).

#### B. PAID-UP CAPITAL STOCK

Paid-up capital stock is the value of the issued share capital, as shown on a corporation's audited balance sheet prepared for the shareholders. It includes the value given to all types of issued shares: common shares, preferred shares and special category shares.

The following amounts must be included:

- premiums received from shareholders on the issue of shares.

The following amounts may be excluded:

- subscriptions receivable from shareholders on shares issued to them but not fully paid for; and
- discounts allowed to shareholders on the issue of shares.

## C. SURPLUSES

### 1. Earned Surplus

The earned surplus, or retained earnings, of a corporation represents the accumulated annual profits, capital and other gains, and all other items of income that are available for distribution to the shareholders as dividends. A deficit (negative earned surplus) may be deducted from paid-up capital.

### 2. Capital, Appraisal, Contributed and Other Surpluses

Some of the most common surpluses in this category arise from:

- non-taxable portion of capital gains;
- appraisals of assets;
- earned but unappropriated profits of subsidiaries;
- accumulated other comprehensive income; and,
- revaluation of investments in excess of cost.

## D. LOANS AND ADVANCES

### 1. Loans and Advances from Other Corporations

This includes both sums loaned and credits advanced to the corporation by any other corporation. Examples of the type of liabilities falling under this category are:

- loans of cash from any other corporation;
- bank overdrafts and loans;
- amounts owing to other corporations even if cash was not advanced;
- banker's acceptance notes; and,
- long-term credits provided by a corporation for the purchase of inventories from the corporation.

### 2. Loans and Advances from Shareholders

This includes both cash advances and credits made available by shareholders either directly or indirectly or by any person related to a shareholder.

All amounts loaned or advanced by shareholders or persons related to shareholders are included in paid-up capital.

Obligations of the **same nature** due to, and from, the same company may be netted if that company is an associate of or affiliated to the taxpayer corporation. For example, a subsidiary corporation may owe its parent corporation \$1,000,000 which had been advanced to the subsidiary. At the same time, the subsidiary may have advanced moneys to its parent company in the form of a small loan of \$200,000 as a temporary measure to overcome a cash shortage. These loans may be netted and only \$800,000 included in the subsidiary's paid-up capital.

**3. Loans and Advances from Government**

Sums or credits that are loaned or advanced to the corporation by any government are included in paid-up capital.

**4. Loans and Advances from Pensions or Other Trusts**

Sums or credits which are loaned or advanced to the corporation by a pension trust or any other trust are included in paid-up capital.

**5. Accounts Payable**

For capital tax purposes, an account payable means an amount owing by the corporation to a creditor for the purchase of merchandise or supplies or services from that creditor in the normal course of business of the corporation. Accounts payable are included in paid-up capital if they are:

- (a) payable to the corporation's shareholders or to persons (individuals or corporations) related to its shareholders;
- (b) payable to an unrelated corporation and outstanding for more than 90 days as at the close of the fiscal year;
- (c) payable to any government;
- (d) a portion of a long-term debt to another corporation; or,
- (e) secured by property of the corporation, or guaranteed by any other corporation, Financial Institution or government.

**E. BONDS, DEBENTURES AND MORTGAGES PAYABLE**

Amounts owing to corporations, individuals or governments are included in paid-up capital if these amounts are secured by any property owned by the corporation.

Some of the most common forms of secured liabilities are:

- bonds
- bond mortgages
- lien notes
- debentures
- income bonds

- income debentures
- mortgages

The above debt instruments usually provide for security in the event of default of payment. The security may take any form including a charge against a specific asset of the corporation (e.g. machinery), or a floating charge against assets, such as inventories, receivables, fixed assets or investments. Property may include intangibles such as patent rights as well as tangibles such as machinery and equipment.

In certain cases, a corporation may issue the debt instruments listed above without pledging any of its property as security. These unsecured amounts must also be included in paid-up capital if they are owing to a shareholder (see Loans and Advances from Shareholders on page 2). Amounts owing to **individuals** (other than shareholders or persons related to shareholders) are included in paid-up capital only when secured by the corporation's property.

Any account that is guaranteed by any other corporation, Financial Institution or government is included in paid-up capital.

## F. RESERVES

### 1. Deferred Income Tax Reserves

These reserves represent an appropriation of profits that is not allowed as a deduction from income for income tax purposes and is, therefore, included in paid-up capital. If the account is in a debit balance, the amount may be deducted from paid-up capital. Provisions for income taxes payable for the current year are not included in paid-up capital.

### 2. Contingent, Investment, Inventory and Similar Reserves

These represent appropriations of profits that are not allowed as deductions from income for income tax purposes and are, therefore, included in paid-up capital.

### 3. Deferred Profit Reserves and Capital Gain Reserves

Reserves for long-term receivables and capital gain reserves which have been deducted from income under paragraph 20(1)(n) or subparagraph 40(1)(a)(iii) or 44(1)(e)(iii) of the *Income Tax Act* (Canada) are included in paid-up capital if the amounts are also booked.

### 4. Other Reserves

Often reserves are claimed by corporations in their books of account that differ in amount from the reserves allowed for income tax purposes. In these cases, paid-up capital must be either increased or decreased by the differences. For example, a corporation may book a depreciation reserve of \$1,000,000 whereas capital cost allowance for income tax purposes may amount to only \$900,000. The difference of \$100,000 must be added to paid-up capital in determining capital tax payable. The same \$100,000 must also be added to total assets in computing the investment allowance.

Conversely, where the capital cost allowance exceeds the depreciation booked, the difference is deducted from paid-up capital. For example, capital cost allowance may amount to \$1,000,000 whereas only \$800,000 has been booked as depreciation. The difference of \$200,000 is deducted from paid-up capital and from total assets in computing the investment allowance.

The above adjustments must be made on a cumulative annual basis to reflect the accumulated differences between depreciation booked and capital cost allowance claimed. As a short-cut to determine the accumulated differences, corporations may take the difference between the undepreciated capital cost (U.C.C.) of fixed assets and their net book value (N.B.V.). In so doing, however, extraneous items that may distort a proper comparison must first be removed. For example, land (non-depreciable) and appraisals of fixed assets must be deducted from N.B.V. before comparing the N.B.V. with U.C.C.

Examples of reserves that may require an adjustment to paid-up capital are:

- reserve for depreciation
- reserve for doubtful debts
- reserve for goods and services not yet delivered or rendered
- reserve for rentals paid in advance

In situations where a reserve (capital cost allowance) is re-assessed by Canada Revenue Agency (CRA), a corresponding adjustment will be made retroactively for capital tax purposes to the maximum number of years allowed by legislation.

## 5. **Adjustment to Net Book Value of Fixed Assets**

There may be circumstances where assets are recorded at higher amounts for book purposes than for tax purposes. When using the N.B.V. versus U.C.C. comparison, a significant reduction to the surplus account may occur because the additions to fixed assets for book purposes differ from the additions shown for tax purposes. Therefore, an adjustment may be required to N.B.V. to make N.B.V. and U.C.C. comparable when using the short-cut method to determine the amount of adjustment to paid-up capital.

Examples of situations that will require an adjustment to net book value are:

- a rollover of depreciable assets from another corporation at a higher value for book purposes than for tax purposes;
- a transfer of depreciable assets from a corporation as a result of an amalgamation or wind-up where the N.B.V. of the assets exceeds the N.B.V. of the assets of the predecessor/subsidiary corporation(s); and,
- appraisals of depreciable assets for book purposes where the appraisal is not recognized for tax purposes.

The acquiring corporation will, however, be allowed to reduce the above adjustments to net book value by 20 per cent on an annual cumulative straight-line basis. Therefore, in the first year the difference arises, N.B.V. will be adjusted for the full difference and by the sixth year no further adjustment will be required.

**Example 1: A Rollover Occurring in Year 1**

Book values of fixed assets of acquiring corporation	\$80,000
Tax values of fixed assets of acquiring corporation	\$50,000

Calculation of N.B.V./U.C.C. Difference for Year 1

Book values of fixed assets	\$80,000
Less: * Difference between book values and tax values	\$30,000
U.C.C. of fixed assets	<u>\$50,000</u>
N.B.V./U.C.C. difference to be deducted for Year 1	0

**Example 2: An Amalgamation Occurring in Year 1**

Book values of fixed assets of new corporation	\$70,000
Book values of fixed assets of predecessor corporation(s)	\$45,000
Tax values of predecessor corporation(s)	\$30,000

Calculation of N.B.V./U.C.C. Difference for Year 1

Book values of fixed assets	\$70,000
Less: * Difference between book values of new	
corporation and predecessor corporation(s)	\$25,000
U.C.C. of predecessor corporation(s)	<u>\$30,000</u>
N.B.V./U.C.C. difference to be deducted for Year 1	\$15,000

\*These differences will be reduced by 20 per cent each year on an annual cumulative straight-line basis beginning in Year 2. In Year 6, no further adjustment will be required to net book value to account for the differences when using the short-cut method in determining the N.B.V./U.C.C. difference.

**6. Amounts Deducted in Computing Income Tax that Differ from Amounts Booked**

A number of other items which are not really reserves are treated similarly to other reserves for capital tax purposes.

Where the amount deducted from profits or surplus in the financial statements is greater than the amount deducted from income in computing income tax, the difference must be added to paid-up capital. Conversely, where the amount deducted from income in computing income tax is greater than the amount booked, the difference is deducted from paid-up capital.

Examples of these are:

- exploration and development expenses of resource corporations;
- scientific research and development expenses; and
- amortization of leases capitalized for tax purposes.

If the item is carried as an asset on the balance sheet, total assets used in computing the investment allowance must be increased (or decreased) by the same amount that is added to (or deducted from) paid-up capital. For example, scientific research expenditures of \$1,000,000 may be treated by a corporation as follows:

1. \$300,000 written off in the profit and loss statement with the balance of \$700,000 shown as a deferred asset on the balance sheet;
2. \$500,000 deducted from income in computing income taxes.

The difference of \$200,000 (\$500,000 - \$300,000) is deducted from paid-up capital. The same \$200,000 is also deducted from the \$700,000 deferred asset on the balance sheet. This has the effect of reducing total assets by \$200,000 in computing the investment allowance.

**G. ACCRUED INTEREST**

Interest accrued is considered part of the indebtedness of a corporation and included in paid-up capital.

**H. DIVIDENDS PAYABLE**

All declared dividends that are unpaid at the close of the preceding fiscal year and remain unpaid and owing to a person who was a related person of the corporation at the close of the fiscal year are to be included in paid-up capital.

**I. 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  
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](mailto:sasktaxinfo@gov.sk.ca)

Internet: Tax bulletins, forms and information are available at [saskatchewan.ca/business-taxes](http://saskatchewan.ca/business-taxes)

To receive automatic email notifications when this or any other bulletin is revised, go to [sets.saskatchewan.ca/subscribe](http://sets.saskatchewan.ca/subscribe).

To provide feedback or suggest changes to this bulletin, please complete a [Bulletin Survey](#).

Government website: [Saskatchewan.ca](http://Saskatchewan.ca)