



PRINCE EDWARD ISLAND
ÎLE-DU-PRINCE-ÉDOUARD

FINANCIAL CORPORATION CAPITAL TAX ACT REGULATIONS

PLEASE NOTE

This document, prepared by the *Legislative Counsel Office*, is an office consolidation of this regulation, current to December 11, 2010. It is intended for information and reference purposes only.

This document is *not* the official version of these regulations. The regulations and the amendments printed in the *Royal Gazette* should be consulted on the Prince Edward Island Government web site to determine the authoritative text of these regulations.

For more information concerning the history of these regulations, please see the *Table of Regulations* on the Prince Edward Island Government web site (www.princeedwardisland.ca).

If you find any errors or omissions in this consolidation, please contact:

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**FINANCIAL CORPORATION CAPITAL TAX ACT****Chapter F-10****REGULATIONS**

Pursuant to section 24 of the *Financial Corporation Capital Tax Act* R.S.P.E.I. 1988, Cap. F-10 the Lieutenant Governor in Council made the following regulations:

1. Definitions**(1) In this section**

- (a) “**A**” means the value of the amount taxable of a financial corporation that is used by the financial corporation in a jurisdiction outside the province;
- (b) “**aggregate amount of loans**” means the aggregate of the amounts outstanding on loans made by a financial corporation that is a bank, as determined at the close of business on the last day of each month in a fiscal year divided by twelve;
- (c) “**amounts of deposits**” means the aggregate of the amounts on deposit with a financial corporation that is a bank, as determined at the close of business on the last day of each month in a fiscal year, divided by twelve;
- (d) “**B**” means the amount taxable;
- (e) “**C**” means the aggregate of the salaries and wages paid in a fiscal year by a financial corporation that is a bank to employees of its permanent establishments in jurisdictions outside the province;
- (f) “**E**” means the gross revenue of the permanent establishments of a financial corporation that is a trust company or loan company in jurisdictions outside the province and is equal to the aggregate of the financial corporation’s gross revenue for a fiscal year arising from
 - (i) loans secured by real property situated outside the province,
 - (ii) loans not secured by real property and made to persons residing outside the province, and
 - (iii) business conducted at the financial corporations’s permanent establishments in jurisdictions outside the province, other than revenue arising from loans;
- (g) “**F**” means the total gross revenue of a financial corporation that is a trust company or loan company, in all jurisdictions for a fiscal year;
- (h) “**S**” means the aggregate of the salaries and wages paid in a fiscal year by a financial corporation that is a bank, to its employees in all jurisdictions;
- (i) “**Y**” means the amount determined by multiplying by two the aggregate amount of loans made by, and the amount of deposits with, the permanent establishments of a

financial corporation that is a bank, in jurisdictions outside the province in a fiscal year;

- (j) “Z” means the aggregate amount of loans made by, and the amount of deposits with, a financial corporation that is a bank, in all jurisdictions in a fiscal year.

Deposits, items not included

- (2) For the purposes of this section, deposits and loans do not include bonds, stocks, debentures, items in transit and deposits in favour of Her Majesty the Queen in right of Canada.

Trust and loan companies

- (3) The value of the amount taxable of a financial corporation that is a trust company or loan company that is used by the financial corporation in a jurisdiction outside the province shall be computed in accordance with the following formula:

$$A = B \times \frac{E}{F}$$

Banks

- (4) The value of the amount taxable of a financial corporation that is a bank that is used by the financial corporation in a jurisdiction outside the province shall be computed in accordance with the following formula:

$$A = B \times \frac{1}{3} \left(\frac{C + Y}{S - Z} \right)$$

(EC300/88)

2. Taxable paid-up capital of non-resident corporation

The taxable paid-up capital employed in Canada of a non-resident financial corporation is its paid-up capital employed in Canada less two million dollars. (EC300/88)

3. Return

A financial corporation capital tax return shall be in Form 1. (EC300/88)

4. Procedures

- (1) For the purpose of
- (a) subclause 24(1)(m)(i) of the Act, the objection and appeal procedure shall be as prescribed in the *Revenue Administration Act* R.S.P.E.I. 1988, Cap. F-13.2;
 - (b) subclause 24(1)(m)(ii) of the Act, the interest rate shall be as prescribed in the *Revenue Administration Act* Regulations (EC390/91);
 - (c) subclause 24(1)(m)(iii) of the Act, the audit and inspection of accounts and records shall be as prescribed in the *Revenue Administration Act*;
 - (d) subclause 24(1)(m)(iv) of the Act, the refund provisions shall be as prescribed in the *Revenue Administration Act*;
 - (e) subclause 24(1)(m)(v) of the Act, the confidentiality of and release of information shall be as prescribed in the *Revenue Administration Act* Regulations;
 - (f) subclause 24(1)(m)(vi) of the Act, the penalty provisions shall be as prescribed in the *Revenue Administration Act*.



False statements

- (2) Every financial corporation that makes a false statement in any form or return provided for under the Act is guilty of an offence.

Offences

- (3) Every financial corporation that violates any provision of the Act or of these regulations is guilty of an offence. (EC300/88; 452/94)

FORM 1

**FINANCIAL CORPORATION CAPITAL TAX RETURN
PROVINCE OF PRINCE EDWARD ISLAND**

Article I.

FINANCE AND MUNICIPAL AFFAIRS
Taxation and Property Records
PO Box 1330
Charlottetown PE C1A 7N1

Fiscal Year End			Date Due			Account Number
D	M	Y	D	M	Y	

Freedom of Information and Protection of Privacy
The personal information requested on this form is collected under the authority of clause 31(c) of the *Freedom of Information and Protection of Privacy Act* R.S.P.E.I. 1988, Cap. F-15.01, and is used to administer the *Financial Corporation Capital Tax Act*. Questions on the collection and use of this information can be directed to Manager, Tax Administration and Client Services at (902-368-5137).

Name of Financial Corporation

Mailing Address
Street, P.O. Box City Province Postal Code

Address of Principal Place of Business in P.E.I.
Street, P.O. Box
City Postal Code

Official to Contact Telephone

City and Jurisdiction of Head Office

CALCULATION OF TAX

Taxable Paid-up Capital or Taxable Paid-up Capital Employed in Canada as determined in Schedule 1 or 5	\$	X	Rate 5%	X	No. of Days in fiscal year ÷365	=	Tax Payable \$

Less Amount paid by installments \$

BALANCE \$

Refund \$ Remittance \$

Claimed Apply to Subsequent Year Submitted with Return

This return together with payment of any tax remaining unpaid is due on or before the last day of the month that ends six months after the close of the fiscal year of a financial corporation.

CERTIFICATION

Name of Officer (in Block Letters)

Rank of Officer

Full Resident Address

I am an authorized signing officer of the financial corporation. I certify that this return, including accompanying schedules and statements, has been examined by me and is a true, correct and complete return. I further certify that the allocation of the taxable paid-up capital as set out in Schedule 1 (or taxable paid-up capital employed in Canada as set out in Schedule 5) of this return has been made in accordance with the provisions of the *Financial Corporation Capital Tax Act* and regulations.

Date, 20..... Signature

(EC634/10)

SCHEDULE 1

COMPUTATION OF TAXABLE PAID-UP CAPITAL

(Only financial corporations resident in Canada complete this Schedule)

1. Paid-up capital stock (net of premium and/or discount)	\$
2. (Banks only) - General Reserve	\$
- Appropriation for Contingencies	\$
SURPLUSES	
3. Earned (if deficit deduct)	\$
4. Accumulated other comprehensive income	\$
5. Capital	\$
6. Appraisal	\$
7. Contributed	\$
8. Other (Specify)	\$
RESERVES	
9. Special reserves as per balance sheet (include the amount of the reserve deducted from income under paragraph (20)(1)(n) and subparagraph 40(1)(a)(iii) of the <i>Income Tax Act</i> .)	\$
10. Contingent, investment and other like reserves	\$
11. Deferred income taxes and other deferred taxes payable	\$
12. Reserves, the excess of which are not allowed as a deduction from taxable income (include the amount by which the undepreciated capital costs of depreciable assets for income tax purposes exceeds net book value excluding appraisals)	\$
13. Taxable Paid-up Capital (Add Lines 1 to 12 inclusive)	\$
14. Standard Deduction	\$ 2,000,000
15. Taxable Paid-up Capital (all jurisdictions) (Subtract Line 14 from Line 13)	\$
16. Percentage of amount taxable used by a financial corporation in Prince Edward Island calculated to four decimal places (Schedule 2 for banks or Schedule 3 for a trust company or a loan company, as applicable)%
17. Taxable Paid-up Capital used by a financial corporation in Prince Edward Island (Multiply Line 15 by Line 16)	\$

(EC634/10)



SCHEDULE 2

PERCENTAGE OF AMOUNT TAXABLE USED BY A BANK IN PRINCE EDWARD ISLAND

Aggregate of the salaries and wages paid in a fiscal year by a bank to employees of its permanent establishments in jurisdictions outside Prince Edward Island \$ A

Aggregate of the salaries and wages paid in a fiscal year by a bank to employees in all jurisdictions \$ B

$A \div B = C\%$ C

Aggregate amount of loans made by the permanent establishments of a bank in jurisdictions outside Prince Edward Island in a fiscal year
 (A from Schedule 4) X 2 = D \$ D

Aggregate amount of deposits with the permanent establishments of a bank in jurisdictions outside Prince Edward Island in a fiscal year
 (C from Schedule 4) X 2 = E \$ E

$D + E = F$ \$ F

Aggregate amount of loans made by, and the amount of deposits with, a bank in all jurisdictions for a fiscal year

$(B + D \text{ from Schedule 4})$ \$ G

$F \div G = H$ \$ % H

Percentage of amount taxable that is used by a bank in jurisdictions outside Prince Edward Island

$(C + H) = I$ \$ % I

Percentage of amount taxable used by a bank in Prince Edward Island
 100% I = J \$ % J

Transfer figure on Line J to Line 16 of Schedule 1 or Line 18 of Schedule 5

(EC634/10)

SCHEDULE 3

PERCENTAGE OF AMOUNT TAXABLE USED BY A TRUST COMPANY OR A LOAN COMPANY IN PRINCE EDWARD ISLAND

Gross revenue for a fiscal year arising from loans secured outside Prince Edward Island \$ A

Gross revenue for a fiscal year arising from loans not secured by real property and made to persons residing outside Prince Edward Island \$ B

Gross revenue for a fiscal year arising from business conducted at the permanent establishments of a trust company or a loan company in jurisdictions outside Prince Edward Island other than revenue arising from loans \$ C

$A + B + C = D$ \$ D

Total Gross revenues of a trust company or a loan company in all jurisdictions for a fiscal year \$ E

Percentage of amount taxable used by a trust company or a loan company in jurisdiction outside Prince Edward Island $D \div E = F$ \$ % F

Percentage of amount taxable used by a trust company or a loan company in Prince Edward Island 100% $F = G$ \$ % G

Transfer figure on Line G to Line 16 of Schedule 1 or Line 18 of Schedule 5

(EC634/10)



SCHEDULE 4**AGGREGATE AMOUNT OF LOANS AND AMOUNT OF DEPOSITS**

	Amounts outstanding on Loans made by a Bank (Note 1)		Amounts on Deposit with a Bank (Note 1)	
	Outside P.E.I.	All Jurisdictions	Outside P.E.I.	All Jurisdictions
1st Month End				
2nd Month End				
3rd Month End				
4th Month End				
5th Month End				
6th Month End				
7th Month End				
8th Month End				
9th Month End				
10th Month End				
11th Month End				
12th Month End				
Total				
Total ÷ 12				
	A	B	C	D

Transfer Totals to appropriate lines on Schedule 2

Note 1 - "loans" does not include bonds, stocks, debentures, items in transit and deposits in favour of Her Majesty the Queen in right of Canada
 "deposits" does not include bonds, stocks, debentures, items in transit and deposits in favour of Her Majesty the Queen in right of Canada

SCHEDULE 5

TAXABLE PAID-UP CAPITAL EMPLOYED IN CANADA

(Only financial corporations not resident in Canada complete this Schedule)

Paid-up Capital Employed in Canada is the amount equal to the greater of Calculation I or Calculation II determined as follows:

CALCULATION I

Taxable Income earned in Canada as determined under the Income Tax Act times 12.5

Taxable Income x 12.5 = \$

CALCULATION II

Total Assets: (Report Canadian Assets Only)

1. Total assets as per balance sheet \$

2. Special reserves as per balance sheet (include the amount of reserve deducted from income under paragraph 20(1)(n) and subparagraph 40(1)(a)(iii) of the *Income Tax Act*) \$

3. Contingent, investment and other like reserves \$

4. Reserves, the excess of which are not allowed as a deduction from taxable income (include the amount by which the undepreciated capital costs of depreciable assets for income tax purposes exceeds net book value excluding appraisals) \$

5. Mortgages deducted directly from assets \$

6. Amounts by which assets have been written down and are not deductible under the *Income Tax Act* \$

7. Other (Specify) \$

8. Sub-total - Assets (Add Lines 1 to 7 inclusive) \$

DEDUCTIONS

9. Amounts by which net book value of depreciable assets excluding appraisals exceeds the undepreciated capital costs for income tax purposes \$

10. Other (Specify) \$

11. Total Deductions (Add Lines 9 and 10 inclusive) \$

12. Total Assets (Subtract Line 11 from Line 8) \$



SCHEDULE 5 - Continued

13. Indebtedness of the non-resident financial corporation	\$
EXCLUDING	
(a) any amounts that are advanced or loaned to its permanent establishments in Canada	
(i) by the non-resident financial corporation,	
(ii) by its shareholders directly or indirectly,	
(iii) by any person related to any of its shareholders, or	
(iv) by any other corporation, and	
(b) any other indebtedness that is represented by bonds, bond mortgages, debentures, mortgages, lien notes or any other securities to which any part of the property in Canada is subject	
14. Value for Calculation II (Subtract Line 13 from Line 12)	\$
TAXABLE PAID-UP CAPITAL	
15. Total Paid-up Capital Employed in Canada (Greater of Calculation I or Calculation II)	\$
16. Standard Deduction	\$2,000,000
17. Taxable Paid-up Capital Employed in Canada (Subtract Line 16 from Line 15)	\$
18. Percentage of taxable paid-up capital employed in Canada used by a financial corporation in Prince Edward Island calculated to four decimal places (Schedule 2 for banks or Schedule 3 for a trust company or a loan company, as applicable) %
19. Amount Taxable (Multiply Line 17 by Line 18)	\$

(EC300/88)