

COMMENT BACKGROUND



NUMBER 229 – JANUARY / FEBRUARY 2005

CORPORATE ATTRIBUTION

Income Tax Act references:

- subsection 74.5(5) – definition of designated person
- subsection 248(1) – definition of a small business corporation
- section 74.4 – corporate attribution

THE THEORY OF INTEGRATION

- The small business tax rate is available on active business income of up to \$300,000 earned by a Canadian-controlled private corporation (“CCPC”).
- The special taxes on investment income have two components. Portfolio dividends received by all private corporations are subject to Part IV tax. Rents, royalties, interest and taxable capital gains of CCPCs are also subject to a refundable tax. Both of these taxes are credited to the corporation’s refundable dividend tax on hand (or “RDTOH”) account. The corporation can claim a refund from this account when it pays out dividends to its shareholders.
- For more information on the sometimes complex tax rules and rates that apply to corporations, see chapter 16 of Advocis’ *Taxation: A Handbook for Insurance and Financial Advisors*, Volume 2.