

Compensation Tax for Financial Institutions

Corporations concerned

Form CO-1159.2 must be completed by any corporation that, at a given time in its taxation year, is a financial institution¹ and is required to pay compensation tax for that year.

A corporation other than a bank, loan corporation, trust corporation, corporation trading in securities, insurance corporation, savings and credit union or professional order is not required to pay the compensation tax, provided it has not made a joint election with one of the entities referred to in this paragraph to be deemed a financial institution under section 150 of the *Excise Tax Act*.

If a corporation is a financial institution on the first day of its taxation year, it is deemed to be a financial institution throughout its taxation year. If a corporation becomes a financial institution at any time after the first day of its taxation year, it is deemed to be a financial institution from that time until the last day of its taxation year.

Important information

- Enclose form CO-1159.2 with the *Déclaration de revenus des sociétés* (form CO-17).
- For more information, refer to sections 1159.1 to 1159.18 of the *Taxation Act*.

1 Identification of the corporation

Québec enterprise number (NEQ)	Identification number	File	
01a: [REDACTED]	01b: [REDACTED]	IC 0001	
Name of corporation			End date of fiscal period
02: [REDACTED]			05: [REDACTED]
			Y Y Y Y M M D D

Check the appropriate box.

- 06 The corporation is a bank, loan corporation, trust corporation or corporation trading in securities, other than a corporation mentioned in 06a, or it is one of those entities and an insurance corporation at the same time.
- 06a The corporation is an independent loan corporation,² an independent trust corporation³ or an independent corporation trading in securities⁴ or it is one of those entities and an insurance corporation at the same time.
- 07 The corporation is a savings and credit union,⁵ or it is such an entity and an insurance corporation at the same time.
- 08 The corporation is solely an insurance corporation.
- 09 The corporation is a professional order providing professional liability insurance to its members by creating an insurance fund in which its members are required to participate.
- 10 The corporation is deemed to be a financial institution further to an election it made or is deemed to have made jointly with a bank, loan corporation, trust corporation, corporation trading in securities, savings and credit union, insurance corporation or professional order.⁶

2 Corporation other than a professional order that is not solely an insurance corporation

Complete part 2 of form CO-1159.2 if you checked box 06, 06a, 07 or 10.

2.1 Compensation tax on salaries and wages paid before April 1, 2018

Salaries and wages paid⁷ by the corporation before April 1, 2018, during the period(s) in the taxation year in which it was deemed to be a financial institution

Applicable rate. If you checked:

- box 06 or 06a, enter 4.48%;
- box 07, enter 3.52%;
- box 10, enter 1.44%.

Multiply line 12 by line 13.

12	[REDACTED]
13	[REDACTED]
×	
14	[REDACTED]

Compensation tax =

2.2 Compensation tax on salaries and wages paid after March 31, 2018, but before April 1, 2019

Salaries and wages paid⁸ by the corporation after March 31, 2018, but before April 1, 2019, during the period(s) in the taxation year in which it was deemed to be a financial institution. If the corporation was not a financial institution throughout the taxation year, carry the amount from line 15 to line 21.

15	
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Maximum amount. If you checked:

- box 06 or 06a, enter 1,100,000,000;
- box 07, enter 550,000,000;
- box 10, enter 275,000,000.

16	
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Number of days in the taxation year after March 31, 2018, but before April 1, 2019 (maximum 365)

17	
18	365

Divide line 17 by line 18.

÷

=

×

19	
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Multiply line 16 by line 19.

=

20	
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If the corporation was not a financial institution throughout the taxation year, enter the amount from line 15. Otherwise, enter the amount from line 15 or line 20, whichever is **less**.

21	
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Applicable rate. If you checked:

- box 06 or 06a, enter 4.29%;
- box 07, enter 3.39%;
- box 10, enter 1.37%.

×

22	%
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Multiply line 21 by line 22.

Compensation tax =

=

23	
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2.3 Compensation tax on salaries and wages paid after March 31, 2019, but before April 1, 2020

Salaries and wages paid⁹ by the corporation after March 31, 2019, but before April 1, 2020, during the period(s) in the taxation year in which it was deemed to be a financial institution. If the corporation was not a financial institution throughout the taxation year, carry the amount from line 25 to line 33.

25	
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Maximum amount. If you checked:

- box 06 or 06a, enter 1,100,000,000;
- box 07, enter 550,000,000;
- box 10, enter 275,000,000.

26	
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Number of days in the taxation year (maximum 365). If you checked box 06a and the corporation's taxation year includes April 1, 2020, enter the number of days in the taxation year that precede that date instead.

29	
30	365

Divide line 29 by line 30.

÷

=

×

31	
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Multiply line 26 by line 31.

=

32	
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Amount from line 15. If you did not enter an amount on line 15, enter 0.

-

32a	
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Subtract line 32a from line 32. If the result is negative, enter 0.

=

32b	
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If the corporation was not a financial institution throughout the taxation year, enter the amount from line 25. Otherwise, enter the amount from line 25 or line 32b, whichever is **less**.

33	
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Applicable rate. If you checked:

- box 06 or 06a, enter 4.22%;
- box 07, enter 3.30%;
- box 10, enter 1.34%.

×

34	%
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Multiply line 33 by line 34.

Compensation tax =

=

35	
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2.4 Compensation tax on salaries and wages paid after March 31, 2020, but before April 1, 2022

Salaries and wages paid¹⁰ by the corporation after March 31, 2020, but before April 1, 2022, during the period(s) in the taxation year in which it was deemed to be a financial institution. If the corporation was not a financial institution throughout the taxation year, carry the amount from line 36 to line 44.

36	
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Maximum amount. If you checked:

- box 06, enter 1,100,000,000;
- box 07, enter 550,000,000;
- box 06a or 10, enter 275,000,000.

37	
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Number of days in the taxation year (maximum 365). If you checked box 06a and the corporation's taxation year includes April 1, 2020, enter the number of days in the taxation year that are after March 31, 2020.

40	
41	
÷	
=	

Divide line 40 by line 41.

42	
43	

Multiply line 37 by line 42.

If you did not enter an amount on line 25, or if you checked box 6a and the corporation's taxation year includes April 1, 2020, enter 0. Otherwise, enter the amount from line 25.

43a	
43b	

Subtract line 43a from line 43. If the result is negative, enter 0.

If the corporation was not a financial institution throughout the taxation year, enter the amount from line 36. Otherwise, enter the amount from line 36 or line 43b, whichever is **less**.

44	
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Applicable rate. If you checked:

- box 06, enter 4.14%;
- box 07, enter 3.26%;
- box 06a or 10, enter 1.32%.

45	
×	
46	

Multiply line 44 by line 45.

Compensation tax

2.5 Compensation tax on salaries and wages paid after March 31, 2022

Salaries and wages paid¹¹ by the corporation after March 31, 2022, during the period(s) in the taxation year in which it was deemed to be a financial institution. If the corporation was not a financial institution throughout the taxation year, carry the amount from line 47 to line 55.

47	
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Maximum amount. If you checked:

- box 06, enter 1,100,000,000;
- box 07, enter 550,000,000;
- box 06a or 10, enter 275,000,000.

48	
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Number of days in the taxation year (maximum 365)

51	
52	
÷	
=	

Divide line 51 by line 52.

53	
54	

Multiply line 48 by line 53.

Amount from line 36. If you did not enter an amount on line 36, enter 0.

54a	
54b	

Subtract line 54a from line 54. If the result is negative, enter 0.

If the corporation was not a financial institution throughout the taxation year, enter the amount from line 47. Otherwise, enter the amount from line 47 or line 54b, whichever is **less**.

55	
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Applicable rate. If you checked:

- box 06, enter 2.8%;
- box 07, enter 2.2%;
- box 06a or 10, enter 0.9%.

56	
×	
57	

Multiply line 55 by line 56.

Compensation tax

2.6 Compensation tax

Add lines 14, 23, 35, 46 and 57.

58	
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If you checked box 07 or 10 and, for the part(s) of the year in which the corporation was a financial institution, the value of its supplies that are financial services is less than 90% of the value of all its supplies, do the calculation below. Otherwise, carry the amount from line 58 to line 62.

	Amount from line 58	×	Value of supplies that are financial services	▶	Compensation tax
59			60		62
			61		
			Value of all supplies		

If you checked box 06, 06a or 07 and the corporation is also an insurance corporation, carry the result from line 62 to line 65 and complete part 3 of form CO-1159.2. Otherwise, carry the result to line 436 of form CO-17.

3 Bank, loan corporation, trust corporation, corporation trading in securities or savings and credit union that is also an insurance corporation

Complete part 3 of form CO-1159.2 if you checked box 06, 06a or 07 and the corporation is also an insurance corporation.

Amount from line 62		65		
Taxable premiums for uninsured employee benefit plans (line 19 of form CO-1167)	66			
Rate applicable to the premiums (calculated in part 6 of form CO-1159.2)	67		%	
Multiply line 66 by line 67.	68			

If the corporation was a financial institution throughout its taxation year, enter the amount from line 68 on line 72.

Otherwise, do the following calculation:

	Amount from line 68		Number of days in the taxation year during which the corporation was deemed to be a financial institution					
69		×	70		▶		+	72
			71					
			Number of days in the taxation year					

Add lines 65 and 72. Carry the result to line 436 of form CO-17. **Compensation tax =** 73

4 Corporation that is solely an insurance corporation

Complete part 4 of form CO-1159.2 if you checked box 08.

Premiums calculated on form CO-1167, *Société d'assurance – Calcul des primes payables, des primes taxables et de la taxe sur le capital relative à l'assurance maritime*:

• Premiums payable ¹² for insurance of persons (line 14 of form CO-1167)		77		
• Taxable premiums for uninsured employee benefit plans (line 19 of form CO-1167)	78			
• Premiums payable ¹³ for damage insurance (line 25 of form CO-1167)	79			
• Premiums payable ¹⁴ for marine insurance (total of lines 32 and 41 of form CO-1167)	80			
Add lines 77 through 80.	81			
Rate applicable to the premiums (calculated in part 6 of form CO-1159.2)	82		%	
Multiply line 81 by line 82.	83			

If the corporation was a financial institution throughout its taxation year, carry the result from line 83 to line 87.

Otherwise, do the following calculation:

	Amount from line 83		Number of days in the taxation year during which the corporation was deemed to be a financial institution					
84		×	85		▶			
			86					
			Number of days in the taxation year					

Carry the result to line 436 of form CO-17. **Compensation tax =** 87

5 Professional order

Complete part 5 of form CO-1159.2 if you checked box 09.

Premiums, fees and contributions payable by the members for the taxation year ¹⁵		91		
Rate applicable to the premiums (calculated in part 6 of form CO-1159.2)	92		%	
Multiply line 91 by line 92. Carry the result to line 436 of form CO-17.	93			

Compensation tax = 93

6 Rate applicable to premiums

Complete part 6 of form CO-1159.2 to calculate the compensation tax in part 3, 4 or 5 of the form.

	Number of days in the taxation year before April 1, 2022, during which the corporation was deemed to be a financial institution	×	<div style="border: 1px solid black; padding: 2px;">100</div> 0.48%		
	<div style="border: 1px solid black; padding: 2px;">101</div> — <div style="border: 1px solid black; padding: 2px;">102</div>			▶	<div style="border: 1px solid black; padding: 2px;">103</div> %
	Number of days in the taxation year during which the corporation was deemed to be a financial institution				
	Number of days in the taxation year after March 31, 2022, during which the corporation was deemed to be a financial institution	×	<div style="border: 1px solid black; padding: 2px;">104</div> 0.3%		
	<div style="border: 1px solid black; padding: 2px;">105</div> — <div style="border: 1px solid black; padding: 2px;">106</div>			▶	<div style="border: 1px solid black; padding: 2px;">107</div> %
	Number of days in the taxation year during which the corporation was deemed to be a financial institution			+	
	Rate applicable to premiums =				<div style="border: 1px solid black; padding: 2px;">108</div> %

Add lines 103 and 107.

Carry the result to line 67, 82 or 92, as applicable.

Notes

1. The term "financial institution" is used within the meaning of paragraph 149(1) (a) of the *Excise Tax Act* and refers, in particular, to:
 - a bank;
 - a corporation that is licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as a trustee;
 - a savings and credit union;
 - an insurer or any other person whose principal business is providing insurance under insurance policies;
 - a segregated fund of an insurer;
 - a person whose principal business is the lending of money or the purchasing of debt securities or a combination thereof;
 - an investment plan;
 - a person providing the services referred to in section 158 of the *Excise Tax Act*, that is, a discounter within the meaning of the *Tax Rebate Discounting Act*;
 - a corporation deemed to be a financial institution under section 151 of the *Excise Tax Act*;
 - a person whose principal business is as a trader or dealer in financial instruments or as a broker or salesperson of financial instruments. The term "financial instrument" is defined in section 123 of the *Excise Tax Act* and refers, in particular, to an insurance policy.
2. The term "independent loan corporation" means a loan corporation that, in a taxation year, is not associated with a bank, a savings and credit union or an insurance corporation.
3. The term "independent trust corporation" means a trust corporation that, in a taxation year, is not associated with a bank, a savings and credit union or an insurance corporation.
4. The term "independent corporation trading in securities" means a corporation trading in securities that, in a taxation year, is not associated with a bank, a savings and credit union or an insurance corporation.
5. A savings and credit union is deemed to have elected to be a financial institution under subsection 150(6) of the *Excise Tax Act*.
6. This election is made under subsection 150(1) of the *Excise Tax Act*.
7. "Salaries and wages paid" refers to the salaries and wages that a financial institution (including an international financial centre) paid or is deemed to have paid during the taxation year to an individual, a trustee or a custodian (as applicable) in the context of a profit-sharing plan, an employee trust or an employee benefit plan. It also refers to the following amounts:
 - any amount remitted by the employer (or by a person not dealing at arm's length with the employer) that must be included in the calculation of an individual's income from an office or employment, or that would be included in that calculation if the individual were subject to the *Taxation Act*;
 - the tips that the employer allocated to the individual and the tips that the individual reported.

Note that the amount(s) entered on this line must also include the salaries and wages that are paid or deemed paid by an establishment of the financial institution located in Québec in respect of employees who do not have to report for work at such an establishment.
8. See note 7.
9. See note 7.
10. See note 7.
11. See note 7.
12. Do not take into account the provisions of section 1170.1 of the *Taxation Act* (major investment project) in determining the amount of premiums payable to be entered on this line.
13. See note 12.
14. See note 12.
15. The amount must be determined in accordance with section 85.2 of the *Professional Code*. This amount includes not only premiums, but also administration costs, contributions to a group plan or to the professional liability insurance fund, and any other expenses related to the operation of such a plan.