

Part IV Tax

Purpose: Part IV Tax is designed to prevent tax deferral and address double taxation issues related to dividends paid between private corporations.

Applicability: It applies to private corporations that receive dividends from other corporations.

Portfolio Dividends: Dividends from non-connected corporations (where the recipient owns less than 10% of the voting shares) are subject to a Part IV Tax rate of 38 1/3% of the total dividend received.

Dividends from Connected Corporations: Dividends from corporations where the recipient owns 10% or more of the voting shares are subject to Part IV Tax calculated as the recipient's ownership percentage multiplied by the dividend refund received by the payor corporation.

Refundable Dividend Tax on Hand (RDTOH)

Purpose: RDTOH is a mechanism to ensure that the Part IV Tax paid by a corporation is not a permanent tax burden. Instead, it can be refunded when the corporation distributes dividends to its shareholders.

Components:

🏢 **Part IV Tax:** The amount of Part IV Tax paid by the corporation is added to its RDTOH account.

🏢 **Refund Process:** When the corporation pays dividends to its shareholders, it can recover a portion of the RDTOH account. The refund is calculated as a percentage of the dividends [paid](#).

Calculation:

🏢 **Refund Amount:** The refundable portion is typically 38 1/3% of the dividends paid by the corporation. This refund helps offset the Part IV Tax that the corporation previously paid.