



CONNECTICUT - ANNUAL TAX COMPLIANCE



Corporate Income Tax

Every corporation (or association taxable as a corporation) that **carries on business or has the right to carry on business** in Connecticut must complete a registration application and file **Form CT-1120**, Corporation Business Tax Return. Any corporation dissolved or withdrawn from Connecticut is subject to the Corporation Business Tax **up to the date of dissolution or withdrawal**. The corporate income tax rate is a flat rate of **7.5%** of net income. This form is used to compute tax both on net income basis and on capital stock basis. Tax is paid on the basis **that yields the higher tax**. The minimum tax is **USD 250**.

Carrying on business includes:

- Owning or leasing (as lessee) real property
- Maintaining an office
- Selling tangible personal property
- Performing or soliciting orders for services
- Selling or soliciting orders for real property
- Maintaining a stock of inventory in a public warehouse
- Delivering merchandise inventory on consignment to its distributors or dealers
- Owning or leasing (as lessee) personal property which is not related to solicitation of orders
- Participating in the approval of servicing distributors and dealers where its customer or user of its product can have such product serviced or repaired.

Having the right to carry on business means:

- For companies incorporated or organized under the laws of this state, the Secretary of the State has endorsed its certificate of incorporation.
- For companies incorporated or organized under the laws of another state, the Secretary of the State has issued to it a certificate of authority.



Exempt Entities

Certain types of companies are specifically exempt from the Corporation Business Tax. Exempt entities are not subject to the Corporation Business Tax but may be required to file a return.

The following companies are **exempt from the Corporation Business Tax** and from filing Form CT-1120 :

- Insurance companies incorporated under the laws of any other state or foreign government, and domestic insurance companies;
- Companies exempt by the federal corporation net income tax law;
- A domestic international sales corporation (DISC) which has made a valid election for federal tax purposes to be treated as a DISC;
- Companies subject to gross earnings taxes or whose properties in Connecticut are operated by railroad companies
- Cooperative housing corporations
- Corporate limited partners in one or more investment partnerships that are otherwise not doing business in Connecticut; and
- Non-United States corporations whose sole activity in Connecticut is trading in stocks, securities, or commodities for their own account.

The following companies are **exempt** from the Connecticut Corporation Business Tax **but must file Form CT-1120 to claim the exemption:**

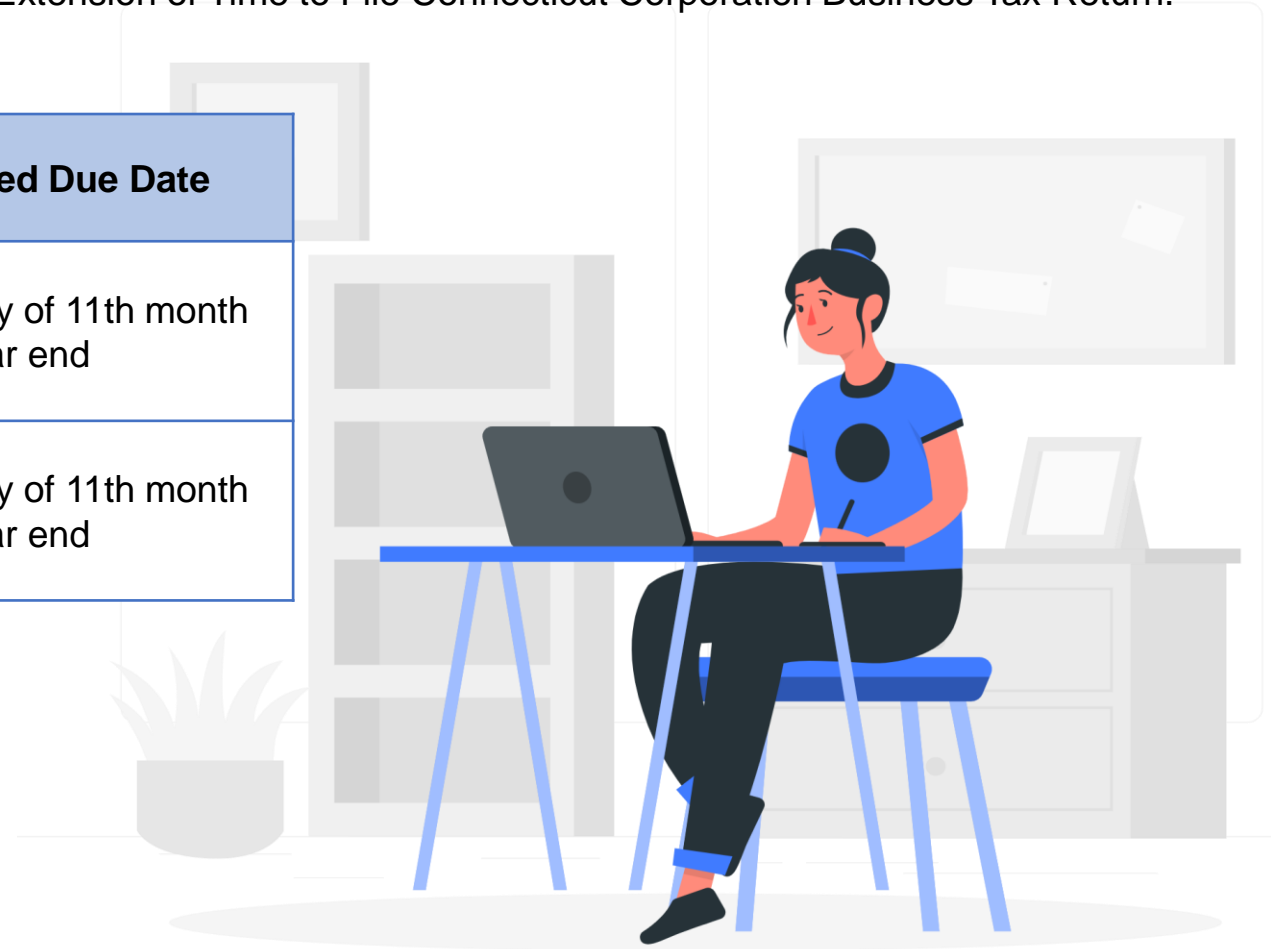
- A homeowner's association that has elected to be treated as such for federal income tax purposes.
- Certain political organizations or asso
- Financial service companies whose corporate headquarters are located in the export zone in the City of Hartford, Connecticut, and who are conducting all of their business outside the USA
- Passive investment companies (PICs),



Filing Requirement

Every corporation must electronically file a return on or before the 15th day of the month following the due date of the corporation's corresponding federal income tax return for the income year (May 15 for calendar year taxpayers). If the due date falls on a Saturday, Sunday, or legal holiday, the return is considered timely if filed on the next business day. In order to request additional time to file Form CT-1120, a corporation must file Form CT-1120 EXT, Application for Extension of Time to File Connecticut Corporation Business Tax Return.

Year End	Original Due Date	Extended Due Date
Anything except June 30	15th day of 5th month after year end	15th day of 11th month after year end
June 30	15th day of 4th month after year end	15th day of 11th month after year end



Estimated Tax Payments

Every corporation subject to the Connecticut Corporation Business Tax whose estimated current year tax **exceeds USD 1,000** must make its required annual payment in four installments. All Corporation Business Tax estimated payments must be filed and paid electronically. Estimated payments for tax year are **due on or before April 15, June 15, September 15, and January 15**. The amount of each estimated payment is calculated based upon the corporation's required annual payment. In general, the required **annual payment is the lesser of:**

- **90% of the tax** (including surtax) shown on the return for the income year, or, if no return is filed, 90% of the tax for such year; or
- **100% of the tax** (including surtax) shown on the return for the previous income year without regard to any credit, if the previous income year was an income year of 12 months & if the company filed a return for the previous income year showing a liability for tax.



Installments	Required Payment Amounts
First	• Lesser of 30% of prior year tax (including surtax) without regard to credits or 27% of current year tax (including surtax)
Second	• Lesser of 70% * of prior year tax (including surtax) without regard to credits or 63% of current year tax (including surtax)
Third	• Lesser of 80% * of prior year tax (including surtax) without regard to credits or 72% of current year tax (including surtax)
Fourth	• Lesser of 100% * of prior year tax (including surtax) without regard to credits or 90% of current year tax (including surtax)

**Taking into account all prior estimated tax payments made for this year*

The penalty for late payment or underpayment of Corporation Business Tax is 10% of the tax due or USD 50, **whichever is greater**. If the corporation does not pay the tax when due, it will owe interest at the rate of **1% per month or fraction of a month until the tax is paid in full**.

Pass Through Entity Tax

Connecticut's personal income tax applies to individuals, including owners of pass-through entities such as sole proprietorships, partnerships, and LLCs treated as partnerships or S corporations. The personal income tax rates range from **3% to 6.99%**, depending on the individual's income level.

Individuals, including owners of pass-through entities such as sole proprietorships, partnerships, and LLCs treated as partnerships or S corporations file **Form CT-1040 or CT-1040NR/PY** (non-resident/part-year resident).

The due date for individual income tax returns is **April 15th**, or the next business day if April 15th falls on a weekend or holiday.

Individuals who can reasonably expect their estimated tax to be more than **USD 1,000** must make estimated tax payments. The Form **CT-1040ES** is to be used to make such payment. The due dates for these payments are **April 15th, June 15th, September 15th, and January 15th** of the following year.

The penalty for late payment or underpayment of income or use tax is 10% of the amount due. In the event that no tax is due, DRS may impose a \$50 penalty for the late filing of any return, or any report required by law to be filed. Interest is charged on any unpaid tax balance at the rate of **1%** per month or fraction thereof.

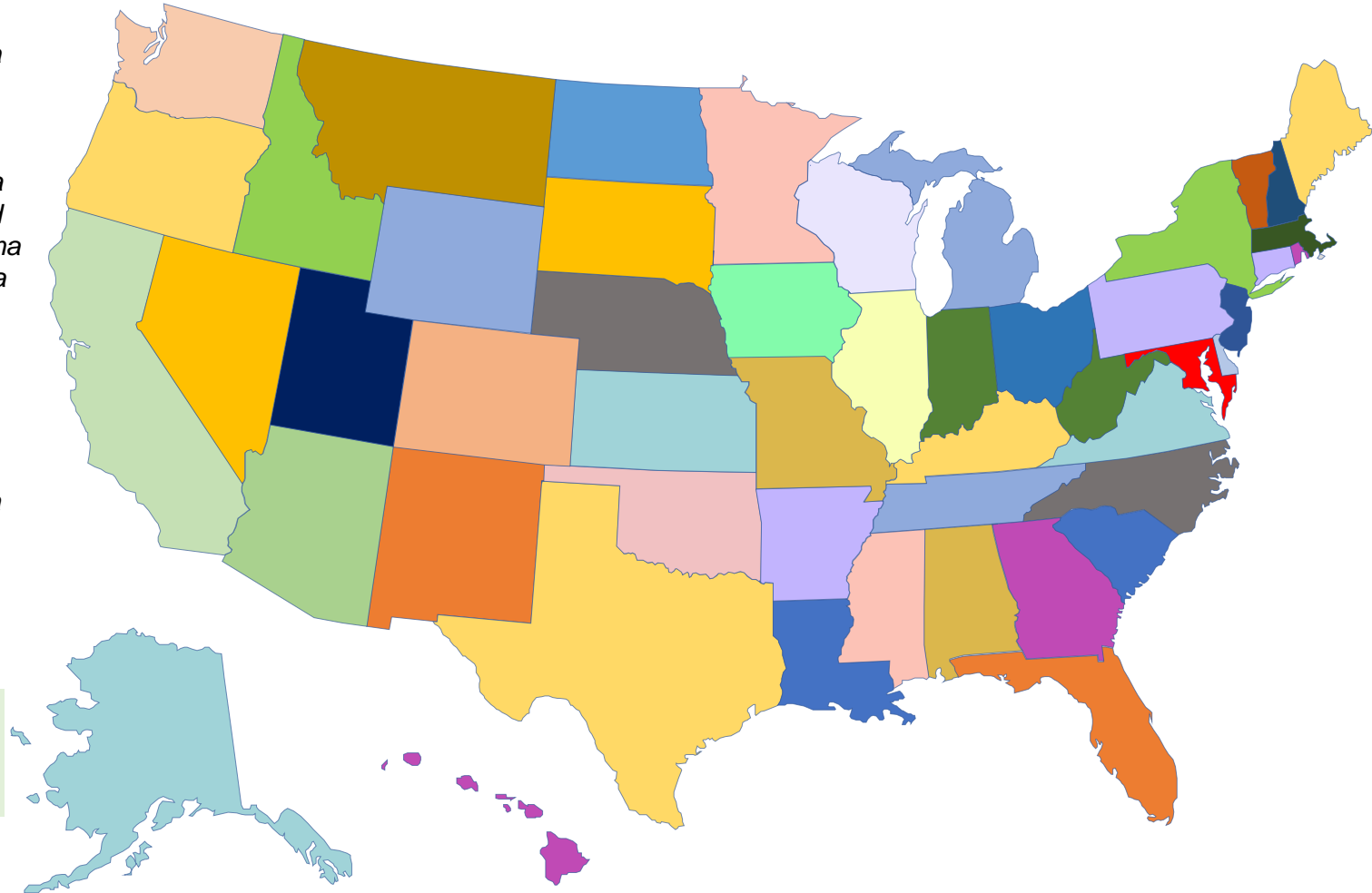
Pass through entities can get an extension in filing the return by filing Form CT-1127, Application for Extension of Time for Payment of Income Tax and avail a six-month extension for filing such return.



Upcoming Series

Please find below the list of completed alerts from the series. In case you have missed the previous alerts, click on the hyperlink for the completed alerts to refer the same.

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