

Bill No. 19 of 1950.

A BILL TO AMEND THE ALBERTA CORPORATION
INCOME TAX ACT, 1949

NOTE.

This Bill amends *The Alberta Corporation Income Tax Act, 1949*, being chapter 6 of the Statutes of Alberta, 1949.

The provisions of the above Act are applicable to the 1949 and subsequent taxation years for the duration of the Dominion-Provincial tax agreement. These amendments are based on changes in the Dominion Act and are designed to maintain uniformity between the Provincial Act and the Dominion Act as contemplated and agreed upon under the taxation agreement.

Section 8 is amended by the addition of a new subsection (10).

Subsection (1) of section 10 is amended and subsections (4), (5) and (6) of section 10 are struck out and replaced by a new subsection (4).

Section 11 is struck out and a new section substituted in its stead.

A new subsection (3a) is added to section 16.

Section 19 is struck out and a new section substituted in its stead.

A new section 19a is added immediately after section 19.

Clause (b) of section 21 is amended.

A new clause (d) is added to subsection (1) of section 22.

Section 23 is repealed.

Clause (c) of section 24 is struck out and a new clause (e) substituted.

Section 26 is struck out and a new section 26 substituted in its stead.

Section 27 is struck out and replaced by a new section 27.

Section 28 is struck out and replaced by a new section 28.

Subsection (2) of section 34 is struck out and replaced by a new subsection (2).

Section 36 is struck out and replaced by a new section 36.

Section 37 is amended by striking out subsections (1), (3) and (6) and by substituting new subsections (1), (3) and (6) therefor.

Clauses (a) and (b) of subsection (1) of section 38 are struck out and replaced by a new clause (a).

Subsection (1) of section 43 is amended by striking out clause (b) and by substituting a new clause (b) and by amending clause (g).

A new subsection (10) is added to section 44.

Subsection (1) of section 45 is amended by striking out clause (e) and by substituting two new clauses (e) and (f).

Section 46 (2) is amended by striking out clause (c) and by substituting a new clause (c).

Subsection (1) of section 48 is amended and two new subsections are added immediately after subsection (4).

Subsection (1) of section 53 is amended.

Section 54 (8) is amended and subsection (9) is struck out and replaced by a new subsection (9).

A new subsection (4) is added to section 55.

Subsection (8) of section 63 is amended.

Clauses (g), (i), (k) and (q) of subsection (1) of section 73 are struck out and new clauses substituted in their stead. Two new clauses (ag) and (ah) are added to subsection (1). Subsection (2) is struck out and replaced by a new subsection (2).

Subsection (8) of section 75 is struck out and replaced by a new subsection (8).

The amendments to the majority of these sections have been made applicable to the 1949 and subsequent taxation years. The amendments to the remaining sections come into force upon assent with the exception of the amendment to section 36 which comes into force upon proclamation.

KENNETH A. MCKENZIE,
Acting Legislative Counsel.

(This note does not form any part of the Bill but is offered in explanation of its provisions.)

BILL

No. 19 of 1950.

An Act to amend The Alberta Corporation Income Tax Act, 1949.

(Assented to _____, 1950.)

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

1.—(1) *The Alberta Corporation Income Tax Act, 1949*, being chapter 6 of the Statutes of Alberta, 1949, is hereby amended as to section 8 by adding immediately after subsection (9) the following new subsection:

“(10) Notwithstanding subsection (9), subsections (1), (2) and (3) are not applicable where the corporation is a non-resident corporation, more than fifty per cent of the share capital of which (having full voting rights under all circumstances) belongs to non-residents.”.

(2) This section is applicable to the 1949 and subsequent taxation years.

2.—(1) The said Act is further amended as to section 10,—

(a) by striking out the words “any other provision in this Division, the following amounts may, subject to subsections (2) and (3) of section 12”, where they occur in subsection (1) and by substituting the words “clauses (a) and (b) of subsection (1) of section 12, the following amounts may”;

(b) by striking out subsections (4), (5) and (6) and by substituting the following:

“(4) notwithstanding clauses (a) and (b) of subsection (1) of section 12, there may be deducted, in computing the income for a taxation year of a bank to which *The Bank Act* or the *Quebec Savings Bank Act* applies, such amount as is set aside or reserved for the year either by way of write-down of the value of assets or appropriation to any contingency reserve or contingent account for the purpose of meeting losses on loans, bad or doubtful debts, depreciation in the value of assets other than bank premises, or other contingencies, and is, in the opinion of the Provincial Treasurer, having regard to all the circumstances, not in excess of the reasonable requirements of the bank.”.

(2) This section is applicable to the 1949 and subsequent taxation years.

3. The said Act is further amended by striking out section 11 and by substituting the following:

"11.—(1) A corporation whose principal business is the production, refining or marketing of petroleum or petroleum products or the exploring and drilling for oil or natural gas, may deduct, in computing its income for the purposes of this Act, the lesser of,—

"(a) the aggregate of the drilling and exploration costs, including all general geological and geophysical expenses, incurred by it, directly or indirectly, on or in respect of exploring or drilling for oil and natural gas in Canada,—

"(i) during the taxation year; and

"(ii) during previous taxation years, to the extent that they are not deductible in computing income for a previous taxation year; or

"(b) of that aggregate an amount equal to its income for the taxation year,—

"(i) if no deduction were allowed under clause (b) of subsection (1) of section 10; and

"(ii) if no deduction were allowed under this subsection, minus the deduction allowed by section 22.

"(2) Subsection (1) is applicable in respect of expenditures incurred in the calendar years 1949 to 1952, inclusive.

"(3) A corporation whose chief business is that of mining or exploring for minerals may deduct, in computing its income for the purposes of this Act for the year of expenditure, an amount equal to all prospecting, exploration and development expenses incurred by it, directly or indirectly, in searching for minerals during the calendar years 1950 to 1952, inclusive, if the corporation files certified statements of such expenditures and satisfies the Provincial Treasurer that it has been actively engaged in prospecting and exploring for minerals by means of qualified persons and has incurred the expenditure for such purposes.

"(4) A corporation whose principal business is production, refining or marketing of petroleum or drilling for petroleum, may, with the consent of the Lieutenant Governor in Council, deduct, in computing its income for the purposes of this Act for the year of expenditure, all expenditures other than geological or geophysical expenditures, made in connection with,—

"(a) the testing of a significant geological structure by a deep test oil well that was spudded in during 1950 and that proved unproductive; or

"(b) the testing of a significant stratigraphic trap by a group of test wells that were spudded in during 1950 and drilled to an aggregate depth of twenty-five thousand feet and all of which wells proved unproductive;

if, in the opinion of the Lieutenant Governor in Council,—

“(c) drilling the deep test well or group of test wells was desirable in order to extend the petroleum resources of Canada; and

“(d) the taxpayer could not reasonably be expected to drill the deep test well or group of test wells unless permitted to make those deductions.

“(5) Where a corporation whose principal business is production, refining or marketing of petroleum or exploration or drilling for petroleum is a shareholder or partner in or member of another corporation, association, syndicate or exploration partnership whose principal business is production, refining or marketing of petroleum or exploration or drilling for petroleum, and has paid money thereto, either by way of subscription of capital or otherwise that is expended as described by subsection (4), the Provincial Treasurer may direct that it shall, to the extent of that payment, be deemed, for the purpose of subsection (4), to have, itself, made the expenditure and in any such case no deduction may be made by reason of subsection (4), by the corporation, association, syndicate or exploration partnership that made the expenditure.

“(6) Where a corporation has incurred expenditures, the deduction of which from income is authorized under both subsections (1) and (4) of this section, it shall not be entitled to make a deduction under both subsections but is entitled to elect to deduct the expenditures under either subsection.

“(7) Where under section 8 or section 5 of *The Alberta Corporation Income Tax Act*, being chapter 3 of the Statutes of Alberta, 1947, or under this section or section 28 of this Act, expenses are or have been deductible from, or in computing, a corporation's income or where any amount is or has been deductible in respect of expenses under any of these provisions from taxes otherwise payable, it is hereby declared that no amount in respect of the same expenses is or has been deductible under any other authority in computing the income or from the income of that corporation or any other corporation or any other corporation for that taxation year or any other taxation year.”.

4.—(1) The said Act is further amended as to section 16 by adding immediately after subsection (3) the following new subsection:

“(3a) Where a non-resident person has paid, or agreed to pay to a corporation carrying on business in Canada with which he was not dealing at arms length as price, rental, royalty or other payment for use or reproduction of any property an amount computed at a rate lower than that at which similar payments by other persons in the same kind of business are computed, an amount computed at the rate at which similar payments are made by such other persons shall, for the purpose of computing the corporation's income

from the business, be deemed to have been the amount that was paid or is payable therefor.”.

(2) This section is applicable to the 1949 and subsequent taxation years.

5.—(1) The said Act is further amended by striking out section 19 and by substituting the following:

“19.—(1) Where depreciable property of a corporation of a prescribed class has, in a taxation year, been disposed of and the proceeds of disposition exceed the undepreciated capital cost to it as of the beginning of the year of depreciable property of that class, the lesser of,—

“(a) the amount of the excess; or

“(b) the amount that the excess would be if the property had been disposed of for the capital cost thereof to the corporation;

shall be included in computing its income for the year.

“(2) Where depreciable property did, at any time after the commencement of 1949, belong to one person (hereinafter referred to as the original owner) and has, by one or more transactions between persons not dealing at arms length, become vested in a corporation, the following rules are, notwithstanding section 16, applicable for the purposes of this section and regulations made under clause (a) of subsection (1) of section 10,—

“(a) the capital cost of the property to the corporation shall be deemed to be the amount that was the capital cost of the property to the original owner;

“(b) where the capital cost of the property to the original owner exceeds the actual capital cost of the property to the corporation, the excess shall be deemed to have been allowed to the corporation in respect of the property under regulations made under clause (a) of subsection (1) of section 10 in computing income for taxation years before the acquisition thereof by the corporation.

“(3) In this section and regulations made under clause (a) of subsection (1) of section 10,—

“(a) ‘depreciable property of a corporation’ as of any time in a taxation year means property in respect of which the corporation has been allowed, or is entitled to, a deduction under regulations made under clause (a) of subsection (1) of section 10 in computing income for that or a previous taxation year;

“(b) ‘disposition of property’ includes any transaction or event entitling a corporation to proceeds of disposition of property;

“(c) ‘proceeds of disposition’ of property include,—

“(i) the sale price of property that has been sold;

“(ii) compensation for property damaged, destroyed, taken or injuriously affected, either lawfully or unlawfully, or under statutory authority or otherwise;

- “(iii) an amount payable under a policy of insurance in respect of loss or destruction of property; and
- “(iv) an amount payable under a policy of insurance in respect of damage to property except to the extent that the amount has, within a reasonable time after the damage, been expended on repairing the damage;
- “(d) ‘total depreciation allowed to a corporation’ before any time for property of a prescribed class means the aggregate of all amounts allowed to the corporation in respect of property of that class under regulations made under clause (a) of subsection (1) of section 10 in computing income for taxation years before that time; and
- “(e) ‘undepreciated capital cost to a corporation of depreciable property’ of a prescribed class as of any time means the capital cost to the corporation of depreciable property of that class acquired before that time minus the aggregate of,—
 - “(i) the total depreciation allowed to the corporation for property of that class before that time; and
 - “(ii) for each disposition before that time of property of the corporation of that class, the least of,—
 - “(A) the proceeds of disposition thereof;
 - “(B) the capital cost to it thereof; or
 - “(C) the undepreciated capital cost to it of property of that class immediately before the disposition.
- “(4) For the purpose of this section and regulations made under clause (a) of subsection (1) of section 10, the following rules apply,—
 - “(a) where a corporation, having acquired property for the purpose of gaining or producing income therefrom or for the purpose of gaining or producing income from a business, has commenced at a later time to use it for some other purpose, the corporation shall be deemed to have disposed of it at that later time at its fair market value at that time;
 - “(b) where a corporation, having acquired property for some other purpose, has commenced at a later time to use it for the purpose of gaining or producing income therefrom, or for the purpose of gaining or producing income from a business, it shall be deemed to have acquired it at that later time at its fair market value at that time;
 - “(c) where a corporation has acquired property by gift, bequest or inheritance, the capital cost to it shall be deemed to have been the fair market value thereof at the time it so acquired the property;
 - “(d) where a corporation has given property away it

shall be deemed to have disposed of the property at the time of the gift at its fair market value at that time;

“(e) where property has, since it was acquired by a corporation, been regularly used in part for the purpose of gaining or producing income therefrom or for the purpose of gaining or producing income from a business and in part for some other purpose, the corporation shall be deemed to have acquired, for the purpose of gaining or producing income, the proportion of the property that the use regularly made of the property for gaining or producing income is of the whole use regularly made of the property at a capital cost to it equal to the same proportion of the capital cost to it of the whole property; and, if the property has, in such a case, been disposed of, the proceeds of disposition of the proportion of the property deemed to have been acquired for gaining or producing income shall be deemed to be the same proportion of the proceeds of disposition of the whole property;

“(f) where, at any time after a corporation has acquired property, there has been a change in the relation between the use made by it of the property for gaining or producing income and the use made of the property for other purposes, the property shall, for the purpose of clause (e), be deemed to have been disposed of at that time by the corporation at its fair market value at that time and to have been reacquired at the same time at a capital cost equal to the same amount;

“(g) where an amount can reasonably be regarded as being in part the consideration for disposition of depreciable property of a corporation of a prescribed class and as being in part consideration for something else, the part of the amount that can reasonably be so regarded shall be deemed to be the proceeds of disposition of the depreciable property of that class irrespective of the form or legal effect of the contract or agreement;

“(h) where a corporation has received or is entitled to receive a grant, subsidy or other assistance from a government, municipality or other public authority in respect of or for the acquisition of property, the capital cost of the property shall be deemed to be the capital cost thereof to the corporation minus the amount of the grant, subsidy or other assistance.

“(5) In clauses (a), (b), (e) and (f) of subsection (4), in the case of a non-resident corporation, ‘business’ means a business wholly carried on in Canada or such part of a business as is wholly carried on in Canada.

“(6) Subsection (1) does not apply in determining income from farming or fishing.”

(2) This section is applicable to the 1949 and subsequent taxation years.

6. The said Act is further amended by adding immediately after section 19 the following new section:

“**19a.**—(1) Where a corporation has acquired depreciable property before the commencement of the 1949 taxation year, the following rules are applicable for the purpose of section 19, and regulations made under clause (a) of subsection (1) of section 10,—

“(a) except in a case to which clause (b) applies, all such property shall be deemed to have been acquired at the commencement of that year at a capital cost equal to,—

“(i) the actual capital cost (or the capital cost as it is deemed to be by subsection (3) or (4)) of such of the said property as the corporation had at the commencement of that year;

minus the aggregate of,—

“(ii) the total amount of depreciation for such of the said property as it had at the commencement of that year that since the commencement of 1917, has been or should have been taken into account, in accordance with the practice of the Department of National Revenue, in ascertaining the corporation’s income for the purpose of the *Income War Tax Act (Canada)* or in ascertaining its loss for a year for which there was no income under that Act, minus the aggregate of,—

“(A) all deductions allowed to the corporation in computing its income for the purpose of the *Income War Tax Act (Canada)* as ‘special depreciation’, ‘extra depreciation’ or allowances in lieu of depreciation for property it had at the commencement of the 1949 taxation year (except deductions allowed under subclause (ii) of clause (n) of subsection (1) of section 6 of the *Income War Tax Act (Canada)*); and

“(B) one-half of all amounts allowed to the corporation under subclause (ii) of clause (n) of subsection (1) of section 6 of the said Act for property it had at the commencement of the 1949 taxation year; and

“(iii) any accumulated depreciation reserves that it had at the commencement of 1917 and that were recognized by the Minister of National Revenue for the purpose of the *Income War Tax Act (Canada)* for property that it had at the commencement of the 1949 taxation year;

“(b) in the case of a corporation which was resident in Newfoundland on the expiration of March 31, 1949, and was not resident in Canada in 1949 prior to that time, all such property shall be deemed to

have been acquired at the commencement of that year at a capital cost equal to,—

“(i) the capital cost of such of the said property as the corporation had at the commencement of that year;

minus,—

“(ii) the greater of,—

“(A) one-half the total amount of depreciation for such of the said property as it had at the commencement of that year that it would have been allowed since the commencement of 1917 if it had been allowed depreciation under the *Income War Tax Act (Canada)* for each of the years since that time during which it had the property at the normal rates used in accordance with the practice of the Department of National Revenue; or

“(B) the accumulated depreciation reserves that it had at the commencement of 1949;

“(c) the aggregate of,—

“(i) all deductions allowed to the corporation in computing its income for the purpose of the *Income War Tax Act (Canada)* as ‘special depreciation’, ‘extra depreciation’ or allowances in lieu of depreciation for property it had at the commencement of the 1949 taxation year (except deductions allowed under subclause (ii) of clause (n) of subsection (1) of section 6 of the *Income War Tax Act (Canada)*); and

“(ii) one-half of all amounts allowed to the corporation under subclause (ii) of clause (n) of subsection (1) of section 6 of the said Act for property that it had at the commencement of the 1949 taxation year;

shall be deemed to have been allowed to it under regulations made under clause (a) of subsection (1) of section 10, in computing income for a taxation year before the 1949 taxation year.

“(2) The second and third provisoes to clause (n) of subsection (1) of section 6 of the *Income War Tax Act (Canada)* are not applicable to sales made after the commencement of the 1949 taxation year.

“(3) Where property did belong to one person (hereinafter referred to as the original owner) and has by one or more transactions prior to 1949 between persons not dealing at arms length become vested in a corporation which had it at the commencement of the 1949 taxation year (or which acquired it during its 1949 taxation year from a person whose 1948 taxation year had not expired at the time of the acquisition), the capital cost of the property to the corporation shall, for the purpose of subclause (i) of clause (a) of subsection (1), be deemed to be the lesser of the

actual capital cost of the property to the corporation or the amount by which,—

“(a) the capital cost of the property to the original owner exceeds;

“(b) the aggregate of,—

“(i) the total amount of depreciation for the property that, since the commencement of 1917, has been or should have been taken into account in accordance with the practice of the Department of National Revenue, in ascertaining the income of the original owner and all intervening owners for the purpose of the *Income War Tax Act (Canada)*, or in ascertaining a loss for a year when there was no income under that Act; and

“(ii) any accumulated depreciation reserves that the original owner or an intervening owner had for the property at the commencement of 1917 and that were recognized by the Minister of National Revenue for the purpose of the *Income War Tax Act (Canada)*.”

“(4) Where a corporation has received or is entitled to receive a grant, subsidy or other assistance from a government, municipality or other public service in respect of or for the acquisition of property, the capital cost of the property shall, for the purpose of subclause (i) of clause (a) of subsection (1), be deemed to be the capital cost thereof to the corporation minus the amount of the grant, subsidy or other assistance.

“(5) Reference in this section to depreciation shall be deemed to include a reference to allowances in respect of depreciable property of a corporation made under clause (a) of subsection (1) of section (5) of the *Income War Tax Act (Canada)*.”.

7.—(1) The said Act is further amended as to section 21, clause (b) by striking out the words “the three years immediately preceding and the” and by substituting the words “the five taxation years immediately preceding and the taxation”.

(2) This section is applicable to the 1949 and subsequent taxation years.

8.—(1) The said Act is further amended as to section 22,—

(a) by striking out the word “or” where it occurs in clause (b) of subsection (1);

(b) by adding the word “or” immediately at the end of clause (c) of subsection (1);

(c) by adding immediately after clause (c) of subsection (1) the following new clause:

“(d) was a non-resident subsidiary controlled corporation;”.

(2) This section is applicable to the 1949 and subsequent taxation years.

9.—(1) The said Act is further amended by striking out section 23.

(2) This repeal is applicable to and effective for the 1949 and subsequent taxation years.

10.—(1) The said Act is further amended as to section 24 by striking out clause (c) and by substituting the following:

“(c) in a case where an amount equal to dividends or portions of dividends would be deductible under section 22, if that section were applicable, such proportion of the amount credited or appropriated as aforesaid as may reasonably be regarded as having been derived from those dividends or portions of dividends; and”.

(2) This section is applicable to the 1949 and subsequent taxation years.

11.—(1) The said Act is further amended by striking out section 26 and by substituting the following:

“26.—(1) Where a corporation’s chief source of income has been farming or fishing during a taxation year (in this section referred to as the ‘year of averaging’) and the four immediately preceding years (in this section referred to as the ‘preceding years’) and the corporation has filed returns of income for the preceding years as required by this Act, if the corporation, before the day on or before which it was required to file its return of income for the year of averaging, files with the Provincial Treasurer an election in prescribed form, the tax payable under this Act for the year of averaging is an amount, determined by the following rules,—

“(a) ascertain the amount, if any, remaining after deducting from the income for each year of the averaging period (which, in this section, means the year of averaging and the preceding years) all deductions allowed for that year by the provisions of Division C except any amount in respect of a loss sustained in the year immediately following the year of averaging;

“(b) determine the amount (in this section referred to as the ‘average income’) equal to one-fifth of the aggregate of the amounts determined under clause (a) for the years in the averaging period;

“(c) determine the amount (in this section referred to as the ‘average tax’) for each year in the averaging period equal to the tax that would be payable under this Act for the year if the taxable income for the year were the average income for the year; and

“(d) deduct from the aggregate of the average taxes as determined under clause (c) for the years in the

averaging period the aggregate of the taxes payable under this Act for the preceding years; and the remainder obtained under clause (d) is the tax payable under this Act for the year of averaging.

“(2) Where the preceding years referred to in subsection (1) include a taxation year ending prior to January 1, 1947, the income for that year shall be such part of the income of the corporation for purposes of the *Income War Tax Act (Canada)* for the said year as is attributable to the operations of the corporation in the Province in accordance with the rules in the First Schedule to this Act, a return of income filed for that year under the *Income War Tax Act (Canada)* shall be deemed to be a return filed by the corporation for that year for the purpose of this section, and in determining the average tax for purposes of clause (c) of subsection (1) and the tax payable for purposes of clause (d) of subsection (1) an amount of tax shall be deemed to be payable at the rates of tax imposed by this Act.

“(3) Where this section is applicable to the computation of a corporation's tax for a taxation year and the aggregate of the taxes payable under this Act for the preceding years exceeds the aggregate of the average taxes as determined under clause (c) of subsection (1) for the years in the averaging period, the excess shall be deemed to be an overpayment made when the notice of assessment for the year of averaging was mailed.

“(4) No election may be filed under this section for a year of averaging if the corporation has filed an election under this section in respect of any of the four immediately preceding years.

“(5) In applying this section to the 1949 taxation year it shall be read as though the word ‘four’ in subsection (1) were ‘three’ and the word ‘one-fifth’ in clause (b) of subsection (1) were ‘one-quarter’.”.

(2) This section is applicable to the 1949 and subsequent taxation years.

12.—(1) The said Act is further amended by striking out section 27 and by substituting the following:

“**27.** A corporation that was resident in Canada at any time in a taxation year may deduct from the tax for the year otherwise payable under this Act in respect of income derived from sources in a country other than Canada an amount equal to the lesser of,—

“(a) that proportion of the tax paid by it to the government of a country other than Canada on its income from sources therein for the year that the tax otherwise payable by the corporation under this Act is of the tax payable by the corporation under the *Income Tax Act (Canada)* for the same taxation year before making any deduction from tax under subsection (1) of section 38 thereof; or

“(b) that proportion of its tax for the year otherwise payable under this Act that,—

“(i) that part of the corporation’s income for the year from sources in that country that was not exempt from income tax in that country, minus amounts that are deductible for the year under clause (d) of subsection (1) of section 22;

is of,—

“(ii) the corporation’s income for the year minus amounts that are deductible for the year under section 22.”.

(2) This section is applicable to the 1949 and subsequent taxation years.

13. The said Act is further amended by striking out section 28 and by substituting the following:

“**28.** A corporation whose principal business is production, refining or marketing of petroleum or drilling for petroleum, may with the consent of the Lieutenant Governor in Council, deduct, from the taxes otherwise payable under this Act for the year of expenditure, five *per centum* of all expenditures other than geological or geophysical expenditures, made in connection with,—

“(a) the testing of a significant geological structure by a deep test oil well that was spudded in during 1950 and that proved unproductive; or

“(b) the testing of a significant stratigraphic trap by a group of test wells that were spudded in during 1950 and drilled to an aggregate depth of twenty-five thousand feet and all of which wells proved unproductive;

if in the opinion of the Lieutenant Governor in Council,—

“(c) drilling the deep test well or group of test wells was desirable in order to extend the petroleum resources of Canada; and

“(d) the taxpayer could not reasonably be expected to drill the deep test well or group of test wells unless permitted to make this deduction.”.

14.—(1) The said Act is further amended as to section 34 by striking out subsection (2) and by substituting the following:

“(2) Where a corporation has held forth the prospect that it will make allocations in proportion to patronage to its customers of a taxation year as described by section 51 and its tax under this Act for the year is estimated by it to be not more than five hundred dollars, it may, instead of paying the instalments required by subsection (1), pay to the Provincial Treasurer, at the end of the twelve months’ period referred to in subsection (1), the whole of the tax as estimated under section 31.”.

(2) This section is applicable to the 1949 and subsequent taxation years.

15.—(1) The said Act is further amended by striking out section 36 and by substituting the following:

“36.—(1) Every person required by section 30 to file a return of the income of any corporation for a taxation year shall, within thirty days from the day of mailing of the notice of assessment, pay all taxes, penalties and interest payable by or in respect of that corporation to the extent that he has or had, at any time since the taxation year, in his possession or control property belonging to that corporation and shall thereupon be deemed to have made that payment on behalf of the corporation.

“(2) Every assignee, liquidator, administrator, executor and other like person, other than a trustee in bankruptcy, before distributing any property under his control, shall obtain a certificate from the Provincial Treasurer certifying that there are not outstanding any taxes, interest or penalties that have been assessed under this Act and are chargeable against or payable out of the property.”.

(2) This section shall come into force on a day to be fixed by Proclamation of the Lieutenant Governor in Council.

16.—(1) The said Act is further amended as to section 37,—

(a) by striking out subsection (1) and by substituting the following:

“37.—(1) Where the amount paid on account of tax payable by a corporation for a taxation year before the expiration of the time allowed for filing the return of the corporation's income is less than the amount of the tax payable for the year, the person liable to pay the tax shall pay interest on the difference between those two amounts from the expiration of the time for filing the return of income to the day of payment at the rate of six per cent per annum.”;

(b) by striking out subsection (3) and by substituting the following:

“(3) In addition to the interest payable under subsection (1), when the tax under this Act for the taxation year of a corporation that paid tax under subsection (2) of section 34 exceeds five hundred dollars, it shall, forthwith, after assessment, pay an amount equal to three per cent of the tax.”;

(c) by striking out subsection (6) and by substituting the following:

“(6) No interest under this section upon the amount by which the unpaid taxes exceed the amount estimated under section 31 is payable in respect of the period beginning twelve months after the day fixed by this Act for filing the return of the corporation's income upon which the taxes are payable or twelve months after the return was actually filed, whichever was later, and ending thirty days from

the day of mailing of the notice of the original assessment for the taxation year.”.

(2) This section is applicable to the 1949 and subsequent taxation years.

17.—(1) The said Act is further amended as to section 38, subsection (1),—

(a) by striking out clauses (a) and (b) and by substituting the following:

“(a) an amount equal to five per cent of the tax that was unpaid when the return was required to be filed, if the tax payable under this Act that was unpaid at that time was less than ten thousand dollars; and”;

(b) relettering clause (c) as clause (b).

(2) This section is applicable to the 1949 and subsequent taxation years.

18.—(1) The said Act is further amended as to section 43, subsection (1),—

(a) by striking out clause (b) and by substituting the following:

“(b) a corporation, commission or association not less than ninety per cent of the shares or capital of which was owned by His Majesty in right of Canada or a province or by a Canadian municipality, or a wholly-owned corporation subsidiary to such a corporation, commission or association;”;

(b) by striking out subclause (i) of clause (g) and by substituting the following:

“(i) it was restricted to carrying on business in one province and it derived its revenue primarily from loans made to members residing within the Province or from bonds of, or guaranteed by, the government of Canada or a province; or”;

(c) by striking out subclause (A) of subclause (ii) of clause (g) and by substituting the following:

“(A) incorporated or organized as credit unions substantially all of which derived their revenues primarily from loans made to members or from bonds of, or guaranteed by, the government of Canada or a province;”.

(2) This section is applicable to the 1949 and subsequent taxation years.

19.—(1) The said Act is further amended as to section 44 by adding immediately after subsection (9) the following new subsection:

“(10) Where a corporation is, for a taxation year, a personal corporation within the meaning of that expression as used in this Act

and was, during the taxation year, controlled by the legal representatives of, or trustees under the will of, an individual who died prior to 1949 and members of the family of that individual who did not, during the taxation year, live together, if it has, prior to the end of 1950, elected in a prescribed manner not to be exempt under this section, it shall be deemed not to be a personal corporation.”.

(2) This section is applicable to the 1949 and subsequent taxation years.

20.—(1) The said Act is further amended as to section 45, subsection (1),—

- (a) by striking out the word “and” where it occurs at the end of clause (d);
- (b) by striking out clause (e) and by substituting the following:

“(e) an amount not less than eighty-five per cent of its taxable income plus exempt income for the year (other than dividends or interest received in the form of shares, bonds or other securities that have not been sold before the end of the taxation year) minus taxes paid to other governments was distributed to the shareholders before the end of the year; and

“(f) it has not, within ninety days from the commencement of the taxation year, elected in a prescribed manner to pay tax under this Act, or, if it has at any time so elected, has, before the taxation year, revoked in a prescribed manner the elections so made by it.”.

(2) This section is applicable to the 1949 and subsequent taxation years but, for the 1949 taxation year an election under clause (f) of subsection (2) of section 45 may be made in the prescribed manner within ninety days from the coming into force of this Act.

21.—(1) The said Act is further amended as to section 46, subsection (2) by striking out clause (c) and by substituting the following:

“(c) its principal business was not the making of loans;”.

(2) This section is applicable to the 1949 and subsequent taxation years.

22.—(1) The said Act is further amended as to section 48,—

- (a) by striking out clause (b) of subsection (1) and by substituting the following:

“(b) the lesser of,—

“(i) one-third of expenditures of a capital nature made in Canada (by acquiring property other than land) in the year and

the two years immediately preceding that year on scientific research related to the business and directly undertaken by or on behalf of the corporation; or

“(ii) the undepreciated capital cost to the corporation of the property so acquired as of the beginning of the taxation year.”;

(b) by adding immediately after subsection (4) the following new subsection:

“(5) An amount deducted under clause (b) of subsection (1) shall, for the purpose of section 19, be deemed to be an amount allowed to the corporation in respect of the property (acquired by the expenditures) under regulations made under clause (a) of subsection (1) of section 10 and for that purpose the property (acquired by the expenditures) shall be deemed to be of a separate prescribed class.”;

(c) by adding immediately after subsection (5) the following new subsection:

“(6) An amount deducted under clause (u) of subsection (1) of section 5 of the *Income War Tax Act (Canada)* in respect of amounts of a capital nature shall, for the purpose of section 19a of this Act, be deemed to be depreciation taken into account in ascertaining the corporation's income for the purpose of the *Income War Tax Act (Canada)* or in ascertaining its loss for the year it was deducted.”.

(2) Subsection (1), clauses (a) and (b) are applicable to the 1949 and subsequent taxation years.

23. The said Act is further amended as to section 53, subsection (1) by striking out all that portion thereof after clause (b) and by substituting the following:

“that came into production of ore during the calendar years 1946 to 1952, inclusive, income derived from the operation of the mine during the period of thirty-six months commencing with the day on which the mine came into production (other than any portion thereof in the year 1946) shall, subject to prescribed conditions, not be included in computing the income of the corporation.”.

24.—(1) The said Act is further amended as to section 54,—

(a) by striking out the words “three years immediately preceding the year”, where they occur in subsection (8), and by substituting the words “five taxation years immediately preceding and the taxation year”;

(b) by striking out subsection (9) and by substituting the following:

“(9) For the purpose of subsection (8), consolidated loss for a taxation year is the aggregate

of such losses as any of the individual corporations may have sustained in the year minus the aggregate of the taxable incomes for the year of the other corporations affected by the election to consolidate.”

(2) This section is applicable to the 1949 and subsequent taxation years.

25. The said Act is further amended as to section 55 by adding immediately after subsection (3) the following new subsection:

“(4) Any officer or servant employed in connection with the administration or enforcement of this Act, if he is designated by the Provincial Treasurer for the purpose, may, in the course of his employment, administer oaths and take and receive affidavits, declarations and affirmations for the purposes of or incidental to the administration or enforcement of this Act or regulations made thereunder, and every officer or servant so designated has for such purposes all the powers of a commissioner for administering oaths or taking affidavits.”

26. The said Act is further amended as to section 63, subsection (8) by striking out the word “authorized” and by substituting the word “authorised”.

27.—(1) The said Act is further amended as to section 73,—

(a) by striking out clause (g) of subsection (1) and by substituting the following:

“(g) ‘corporation’ includes an incorporated company and a ‘corporation incorporated in Canada’ includes a corporation incorporated in any part of Canada before or after it became part of Canada;”;

(b) by striking out clause (i) of subsection (1) and by substituting the following:

“(i) ‘dividend’ includes stock dividend except where the stock dividend has been declared by a non-resident corporation, more than fifty per cent of the share capital of which (having full voting rights under all circumstances) belongs to non-resident persons;”;

(c) by striking out clause (k) of subsection (1) and by substituting the following:

“(k) ‘exempt income’ means money, rights or things received or acquired by a corporation in such circumstances that they are, by reason of any provision of this Act, not included in computing its income and includes amounts deductible under section 22;”;

(d) by striking out the words “interest of dividend obligation” where they occur in clause (n) of sub-

section (1) and by substituting the words "interest or dividend obligation";

- (e) by striking out clause (q) of subsection (1) and by substituting the following:

"(q) 'loss' means a loss computed by applying the provisions of this Act respecting computation of income from a business *mutatis mutandis* (but not including in the computation a dividend or part of a dividend the amount whereof would be deductible under section 22 in computing taxable income) minus any amount by which a loss operated to reduce the corporation's income from other sources for purpose of income tax for the year in which it was sustained;"

- (f) by adding immediately after clause (af) of subsection (1) the following new clauses:

"(ag) 'farming' includes tillage of the soil, live stock raising, raising of poultry, fur farming, dairying, fruit growing and the keeping of bees:

"(ah) 'fishing' includes fishing for or catching shell fish, crustaceans and marine animals.";

- (g) by striking out subsection (2) and by substituting the following:

"(2) For the purposes of this Act a taxation year is a fiscal period, and when a taxation year is referred to by reference to a calendar year the reference is to the taxation year or years coinciding with, or ending in, that year."

- (2) This section is applicable to the 1949 and subsequent taxation years.

28. The said Act is further amended as to section 75 by striking out subsection (8) and by substituting the following:

"(8) Sections 58, 59, 60, 63 and section 71 except subsection (4) thereof, and regulations made under clause (e) of subsection (1) of section 56 are applicable *mutatis mutandis* in respect of matters arising under *The Alberta Corporation Income Tax Act*, being chapter 3 of the Statutes of Alberta, 1947."

29. This Act shall come into force on the day upon which it is assented to.

No. 19

FIRST SESSION
TWELFTH LEGISLATURE

14 GEORGE VI

1950

BILL

An Act to amend The Alberta
Corporation Income
Tax Act, 1949.

Received and read the

First time

Second time

Third time

HON. MR. MANNING.
