

No. 64

2nd Session, 15th Legislature, Alberta
13 Elizabeth II

BILL 64

A Bill to amend The Alberta Income Tax Act

HON. MR. AALBORG

Explanatory Note

1. This Bill amends chapter 1 of the Statutes of Alberta, 1961 (2nd Sess.)

2. Section 4, subsection (3), clause (d) presently reads:

(3) For the purposes of this section the percentage of the tax payable under the federal Act to be used for computing the tax payable under this section is as follows:

.....

(d) nineteen per cent in respect of the 1965 taxation year.

3. Section 41 of the federal Act provides for a foreign tax credit for taxes paid to a foreign country. A distinction is made between business income and investment income from foreign sources.

The federal foreign tax credit relating to foreign business income is calculated with reference to the tax before the provincial abatement. The tax credit for investment income is calculated after the provincial abatement.

Foreign business income is not subject to provincial tax, and therefore the federal foreign tax credit acts to absorb the maximum foreign tax which may be allowed in Canada. Foreign investment income is subject to provincial tax and the federal foreign tax credit acts to absorb only that part of foreign tax which relates to the federal share of the tax in Canada. In many cases, the federal foreign tax credit will absorb all the foreign tax and no balance will remain to apply against provincial tax otherwise payable. In other cases, an amount will remain unabsorbed by federal tax credits, and it is the intention of this legislation to establish the rules by which this excess may be applied against provincial income tax otherwise payable.

The limiting factor in determining the provincial foreign tax credit is:

- the lesser of (a) the foreign tax credit which has not been absorbed by the federal tax, or
- (b) 9% of the foreign investment income which is attributable to the province.

BILL

No. 64 of 1965

An Act to amend The Alberta Income Tax Act

(Assented to _____, 1965)

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

1. *The Alberta Income Tax Act* is hereby amended.

2. Section 4, subsection (3) is amended by striking out clause (d) and by substituting the following:

(d) twenty-one per cent in respect of the 1965 taxation year;

(e) twenty-four per cent in respect of the 1966 taxation year.

3. Section 5 is amended by adding the following subsections:

(4) Where there has been included in computing the income for a taxation year of a corporation that maintained a permanent establishment in Alberta at any time in the taxation year amounts received by the corporation in the year as dividends, interest, rents or royalties that were derived from sources in a country other than Canada (in this section referred to as "foreign investment income") and where the corporation is entitled to a deduction under section 41 of the federal Act in respect of the foreign investment income, the corporation may deduct from the tax for the year otherwise payable under this Act an amount equal to the lesser of,

(a) nine per cent of the product of

(i) the foreign investment income of the corporation for the year minus amounts that are deductible under paragraph (d) of subsection (1) of section 28 of the federal Act that were included in its foreign investment income for that year, and

(ii) that proportion of the taxable income earned in the year by the corporation that is determined to have been earned in the year in Alberta in accordance with regulations made under subsection (2) of section 10 of the federal Act,

or

4. Commencement of Act.

- (b) that proportion of the amount of the deduction from the tax for the year otherwise payable by the corporation under Part I of the federal Act that would be permitted under subsection (1) or (1a) of section 41 of that Act if subparagraph (ii) of paragraph (b) of subsection (1a) and subsection (5) of that section did not contain a reference to section 40 of that Act minus the amount of such deduction permitted by either subsection (1) or (1a) of section 41 of the said Act that
 - (i) the taxable income earned in the year in Alberta by the corporation as determined in accordance with regulations made under subsection (2) of section 40 of the federal Act
- is of
- (ii) the aggregate of the taxable income earned in the year in each province by the corporation as determined in accordance with regulations made under subsection (2) of section 40 of the federal Act.
- (5) Where the income of a corporation for a taxation year includes income from sources in more than one country other than Canada, subsection (4) shall be read as providing for separate deductions in respect of each of the countries other than Canada.

4. This Act comes into force on the day upon which it is assented to and upon so coming into force shall be deemed to have been in force at all times on and after the first day of January, 1965.

NO. 64

SECOND SESSION

FIFTEENTH LEGISLATURE

13 ELIZABETH II

1965

BILL

An Act to amend The Alberta
Income Tax Act

Received and read the

First time.....

Second time.....

Third time.....

HON. MR. AALBORG
