

1975 Bill 25

Fourth Session, 17th Legislature, 24 Elizabeth II

THE LEGISLATIVE ASSEMBLY OF ALBERTA

BILL 25

THE ALBERTA INCOME TAX AMENDMENT ACT, 1975

THE PROVINCIAL TREASURER

First Reading

Second Reading

Third Reading

BILL 25

1975

THE ALBERTA INCOME TAX AMENDMENT ACT, 1975

(Assented to _____, 1975)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly 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 (b) and by substituting the following:*

- (b) 36 per cent in respect of the 1972, 1973 and 1974 taxation years;
- (c) 26 per cent in respect of the 1975 and subsequent taxation years.

3. *The following section is added after section 4:*

4.1 The tax payable by an individual and computed under section 4 for the 1975 or any subsequent taxation year shall be reduced by an amount equal to the lesser of

- (a) the tax computed under section 4 for the taxation year, or
- (b) \$80 minus 2 per cent of the individual's taxable income for that year.

4. *The following heading and sections are added after section 8.3:*

Royalty Tax Rebates and Credits

8.4 (1) In this section,

- (a) "attributed Canadian royalty income" of a corporation in a taxation year means
 - (i) the aggregate of the amounts that are included in the corporation's income for the taxation year by reason of the operation of section 12, subsection (1), paragraph (o) and section 69,

Explanatory Notes

1. This Bill will amend chapter 182 of the Revised Statutes of Alberta 1970.

2. Section 4, subsection (3) 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

- (a) 33 per cent in respect of the 1970 and the 1971 taxation years;
- (b) 36 per cent in respect of the 1972 and subsequent taxation years.

3. Selective tax reduction for individuals having a taxable income of \$4000 or less.

4. 8.4 Royalty tax rebates to be applied against income tax payable under The Alberta Income Tax Act. Section 12(1)(o) of the federal Act, as proposed in Bill C-49 presently before the federal Parliament, includes in a taxpayer's income the amount of royalties, rentals etc. receivable by the Crown or a Crown agency under, among other things, petroleum, natural gas and oil sands leases. Section 8.4 is aimed at offsetting the effect of Bill C-49 in respect of the income so attributed to corporations, by rebating a proportionate amount against Alberta income tax payable by those corporations.

subsections (6) and (7) of the federal Act and that relate to petroleum, natural gas or related hydrocarbons (except coal) or bituminous sands or oil sands

less

- (ii) the aggregate of the amounts referred to in section 66.2, subsection (5), paragraph (a), subparagraph (iv) of the federal Act that are incurred by the corporation in the same taxation year;

- (b) "royalty tax rebate" means a rebate to which a corporation is entitled under this section.

(2) A corporation is entitled, subject to this section and the regulations, to a royalty tax rebate in respect of a taxation year in an amount equal to 11 per cent of that proportion of its attributed Canadian royalty income for the taxation year that

- (a) its taxable income earned in Alberta for that year determined in accordance with Part IV of the federal regulations

bears to

- (b) its taxable income for that year.

(3) A royalty tax rebate to which a corporation is entitled under this section for any taxation year shall be used only to reduce the tax payable under this Act by the corporation in respect of that taxation year but if no tax is payable for that year or if the tax payable for the year is less than the royalty tax rebate for the year, the excess shall be used to reduce the tax payable by that corporation under this Act for any subsequent taxation year.

(4) A corporation is not entitled to a royalty tax rebate in respect of a taxation year unless

- (a) application is made therefor to the Provincial Treasurer, and
- (b) the corporation had a permanent establishment in Alberta at any time during the taxation year.

8.5 (1) In this section,

- (a) "associated corporations" means corporations that are associated for the purposes of the federal Act;
- (b) "attributed Alberta royalty income" of a corporation in a taxation year means the aggregate of the amounts of royalty
 - (i) that are receivable in the taxation year by the Crown in right of Alberta under a lease, licence, reservation or permit granting petroleum rights, natural gas rights or petroleum and natural gas rights, and

8.5 The proposed section 8.5 will implement point (3) of the Alberta Petroleum Exploration Plan — December 1974 entitled "A Tax Credit Plan for Smaller Explorers". Section 8.5 provides for the granting of credits against Alberta income tax of a portion of the amounts payable by corporations to the Government of Alberta as oil and gas royalties which are, under the Federal Government's budgets of May 6, 1974 and November 18, 1974, attributed to the taxpayer as income.

Subject to variation in respect of the taxation year ending after May 6, 1974, the maximum credit for a taxation year is \$1,000,000 for any corporation or any group of associated corporations.

- (ii) that are included in the corporation's income for the taxation year by reason of the operation of section 12, subsection (1), paragraph (o) or section 69, subsection (6) or (7) of the federal Act;
- (c) "royalty tax credit" means a credit to which a corporation is entitled under this section.
- (2) Subject to this section and the regulations, a corporation that has attributed Alberta royalty income in a taxation year is entitled to a royalty tax credit for the taxation year in an amount equal to
 - (a) 30 per cent of the corporation's attributed Alberta royalty income, in the case of the 1974 taxation year,
 - (b) 28 per cent of the corporation's attributed Alberta royalty income, in the case of the 1975 taxation year, and
 - (c) 25 per cent of the corporation's attributed Alberta royalty income, in the case of the 1976 taxation year and each subsequent taxation year,but not exceeding the maximum allowable credit for the taxation year.
- (3) For the purposes of subsection (2), where a corporation has a taxation year (in this subsection referred to as "the particular taxation year") part of which is before and part of which is after the commencement of the 1975 or 1976 calendar year (in this subsection referred to as "the particular calendar year"), the percentage referred to in subsection (2) for the particular taxation year shall be the percentage equal to the aggregate of
 - (a) that proportion of the percentage so referred to for the particular taxation year that the number of days in that portion of the particular taxation year that is in the particular calendar year is of the number of days after May 6, 1974 in the particular taxation year, and
 - (b) that proportion of the percentage so referred to for the taxation year immediately preceding the particular taxation year that the number of days after May 6, 1974 in that portion of the particular taxation year that is in the calendar year immediately preceding the particular calendar year is of the number of days after May 6, 1974 in the particular taxation year.
- (4) For the purposes of this section, the maximum allowable credit for a taxation year is \$1,000,000 except that, in the case of the taxation year first ending after May 6, 1974, the maximum allowable credit is that proportion of \$1,000,000 that the number of days in the taxation year remaining

after May 6, 1974 bears to the total number of days in the taxation year.

(5) Where two or more associated corporations are each entitled to a royalty tax credit for the same taxation year but the aggregate amount of the royalty tax credits of those corporations for the taxation year exceeds the maximum allowable credit, the royalty tax credit for each of those corporations for that taxation year shall be

- (a) that proportion of the maximum allowable credit allocated to the corporation by an agreement made between those corporations setting out the proportions in which the maximum allowable credit is to be divided among them, if the agreement is filed with the Provincial Treasurer, or
- (b) if no agreement is filed under clause (a), that proportion of the maximum allowable credit that the attributed Alberta royalty income of the corporation for the taxation year bears to the aggregate amount of the attributed Alberta royalty income of those corporations for the same taxation year.

(6) Where the Provincial Treasurer is satisfied in any case that

- (a) the attributed Alberta royalty income of a corporation for a taxation year is not in reasonable proportion to the corporation's income in that taxation year derived from the production of petroleum and natural gas subject to the payment of royalty to the Crown in right of Alberta, or
- (b) a corporation was a party to an agreement or arrangement with one or more other persons that had the effect of increasing the amount of the corporation's attributed Alberta royalty income for the purpose of making the corporation eligible for a royalty tax credit for a taxation year in an amount greater than it would have been in the absence of the agreement or arrangement,

the Provincial Treasurer may refuse the application of the corporation for a royalty tax credit for the taxation year or may reduce the royalty tax credit to which it would otherwise be entitled to an amount which, in his opinion, would have been the royalty tax credit if the corporation's attributed Alberta royalty income for the taxation year was in reasonable proportion to its income in that taxation year derived from the production of petroleum and natural gas subject to the payment of royalty to the Crown in right of Alberta.

(7) Where a corporation is entitled to a royalty tax credit for a taxation year, the Provincial Treasurer

- (a) may deduct the credit from any tax, interest or penalty otherwise owing by the corporation for that or any preceding taxation year under this Act, the income tax statute of an agreeing province or the federal Act, or

(b) if the credit exceeds any deductions under clause (a), shall pay the amount of such excess to the corporation from the taxes, interest and penalties collected under this Act.

(8) A corporation is not entitled to a royalty tax credit in respect of a taxation year unless application is made therefor to the Provincial Treasurer.

5. This Act comes into force on the day upon which it is assented to.

