

1975 Bill 87
(Second Session)

First Session, 18th Legislature, 24 Elizabeth II

THE LEGISLATIVE ASSEMBLY OF ALBERTA

BILL 87

THE ALBERTA INCOME TAX AMENDMENT ACT, 1975 (NO. 2)

THE PROVINCIAL TREASURER

First Reading

Second Reading

Third Reading

BILL 87

1975

(Second Session)

THE ALBERTA INCOME TAX AMENDMENT ACT, 1975 (NO. 2)

(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 4.1 is amended*

- (a) *by striking out the words "and computed under section 4" and by substituting the words "under section 4, subsection (1) or (2)",*
- (b) *as to clause (a) by striking out the words "computed under section 4" and by substituting the words "payable under section 4, subsection (1) or (2)"*

3. (1) *Section 8.4, subsection (1), clause (a) is amended by adding after the words "where those amounts relate to the production from oil or gas wells or bituminous sands or oil sands" the words "or to any right, licence or privilege to explore for, drill for or recover petroleum or natural gas or to explore for or mine, quarry, work, remove, treat or process bituminous sands or oil sands".*

(2) *This section applies to the 1974 and subsequent taxation years.*

Explanatory Notes

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

2. Section 4.1 presently reads:

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, and
- (b) \$80 minus 2 per cent of the individual's taxable income for that year.

The amendment will resolve an inconsistency respecting the priority of the selective tax reduction and the foreign tax credit in calculating net Alberta tax payable. The selective tax reduction in section 4.1 will be applied before the foreign tax credit.

3. Section 8.4 (1) (a) presently reads:

8.4 (1) In this section,

(a) "attributed Canadian royalty income" of a taxpayer for a taxation year means the aggregate of

- (i) the amounts required to be included in computing the taxpayer's income for the year by virtue of section 12, subsection (1), paragraph (o) of the federal Act,
- (ii) the amounts in respect of which no deduction is allowed in computing the taxpayer's income for the year by virtue of section 18, subsection (1), paragraph (m) of the federal Act,
- (iii) the amount, if any, by which the fair market value of petroleum, natural gas or related hydrocarbons (except coal) disposed of by him and to which section 69, subsection (6) of the federal Act applies exceeds the proceeds, if any, of dispositions referred to in that subsection, and

(iv) any amounts by which the cost of acquisitions referred to in section 69, subsection (7) of the federal Act and incurred in the year exceeds the fair market value of the property so acquired,

where those amounts relate to the production from oil or gas wells or bituminous sands or oil sands, but does not include any Canadian development expense (as defined in section 66.2, subsection (5), paragraph (a) of the federal Act);

4. (1) *Section 8.5 is amended*

(a) *as to subsection (3), clause (b) by striking out the figure “\$25,000” wherever it occurs and by substituting the figure “\$1,000,000”,*

(b) *as to subsection (9) by striking out the words “if, throughout that year,” and by substituting the words “if the taxpayer corporation was controlled by the other corporation at any time during that year and if, throughout that year,” and*

(c) *as to subsection (9) by striking out clause (a).*

(2) *This section applies to the 1974 and subsequent taxation years.*

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

4. Section 8.5, subsections (3) and (9) presently read:

(3) Subject to this section and the regulations, an individual who has attributed Alberta royalty income in a taxation year is entitled to a royalty tax credit for that taxation year in an amount equal to the lesser of

- (a) 25 per cent of the individual's attributed Alberta royalty income for the year, and
- (b) the lesser of
 - (i) \$25,000, and
 - (ii) that proportion of \$25,000 that the number of days in the taxation year after May 6, 1974 bears to 365.

(9) Subsections (7) and (8) do not apply to a corporation (in this subsection called the "taxpayer corporation") for a year in relation to another corporation with which it is associated in that taxation year if, throughout that year,

- (a) the taxpayer corporation was controlled by the other corporation,
- (b) the taxpayer corporation was, for the purposes of the federal Act, resident in Canada and controlled in Canada,
- (c) a class or classes of equity shares of the taxpayer corporation having full voting rights under all circumstances were listed on a prescribed stock exchange in Canada and the class or classes represented in the aggregate not less than 50 per cent of that part of the paid-up capital of the taxpayer corporation that was represented by all its issued and outstanding equity shares, and
- (d) no one person, either alone or in combination with any person related to him at any time within the year, owned equity shares representing in the aggregate more than 90 per cent of that part of the paid-up capital of the taxpayer corporation that was represented by all of its issued and outstanding equity shares.

Section 9 (7) and (8) relate to the allocation of a maximum royalty credit for a year among associated corporations.