BILL 41

2003

ALBERTA CORPORATE TAX AMENDMENT ACT, 2003

(Assented to , 2003)

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

Amends RSA 2000 cA-15

1 The *Alberta Corporate Tax Act* is amended by this Act.

2(1) Section 1(2) is amended

(a) in clause (f) by striking out "and" **at the end of subclause (vi), by adding** "and" **at the end of subclause (vii) and by adding the following after subclause (vii):**

(viii) if a corporation resident in Canada does not otherwise have a permanent establishment in Canada, the corporation is deemed to have a permanent establishment in the place where it has its registered office or in a place designated in its articles, charter or by-laws as its office or registered office;

(b) in clause (h) by striking out "20(3)" **and substituting** "20(2)".

(2) Subsection (1)(a) applies to taxation years beginning after this section comes into force.

(3) Subsection (1)(b) applies to taxation years beginning on or after this section comes into force.

3(1) Section 14.1(5) is amended by striking out “19(1)” **and substituting** “19”.

(2) Subsection (1) applies on and after May 31, 2001.

4(1) Section 14.2(5)(a) and (b) are amended by striking out “19(1)” **and substituting** “19”.

(2) Subsection (1) applies on and after May 31, 2001.

5(1) Section 16.1(5)(a) and (b) are amended by striking out “19(1)” **and substituting** “19”.

(2) Subsection (1) applies on and after May 31, 2001.

6(1) Section 19 is amended by adding the following after subsection (1):

(1.1) For the purposes of sections 14.1(5), 14.2(5) and 16.1(5), in a year when a corporation or partnership does not have taxable income, the Alberta allocation factor shall be determined as if the taxable income of the corporation or partnership were $1 for the year.

(2) Subsection (1) applies on and after May 31, 2001.

7 Section 20 is repealed and the following is substituted:

Amount taxable in Alberta

19.1 The amount taxable in Alberta is the product obtained when taxable income less the royalty tax deduction is multiplied by the Alberta allocation factor.

Division 3
Royalty Tax Deduction

Royalty tax deduction

20(1) In this section,

(a) "first successor pool" in respect of a corporation means the amount by which

(i) a first successor pool amount available to be carried forward that was acquired or deemed to have been acquired pursuant to subsection (7), (8) or (14),

exceeds

(ii) the aggregate of the royalty tax deduction claim amounts deducted under subsection (2) in respect of the pool for all taxation years ending after the pool amount available to be carried forward was acquired or deemed to have been acquired;

(b) "pool amount available to be carried forward" at the end of a taxation year means

(i) in respect of a first successor pool or a second successor pool, the pool amount available to be carried forward at the end of the immediately preceding taxation year, or

(ii) in respect of an unsuccessored pool, the net amount available for the taxation year in respect of the pool

less the royalty tax deduction claim amount in respect of the pool for the taxation year, unless the corporation did not have a permanent establishment in Alberta at some time during the year, in which case the pool amount available to be carried forward at the end of the taxation year is deemed to be nil;

(c) "property income" means an amount equal to such part of the corporation's income for the year if no deduction were allowed under section 65, 66, 66.1, 66.2, 66.4, 66.5 or 66.7 of the federal Act as may reasonably be regarded as attributable to the production of petroleum, natural gas or related hydrocarbons or metal or minerals from the properties acquired or deemed to have been acquired

pursuant to subsection (7), (8) or (14) and in respect of which an amount was carried forward pursuant to subsection (7), (8) or (14) and included in the pool in respect of which the royalty tax deduction claim amount is being determined;

(d) "second successor pool" in respect of a corporation means the amount by which

(i) a second successor pool amount available to be carried forward that was acquired or deemed to have been acquired pursuant to subsection (7), (8) or (14),

exceeds

(ii) the aggregate of the royalty tax deduction claim amounts deducted under subsection (2) in respect of the pool for all taxation years ending after the pool amount available to be carried forward was acquired or deemed to have been acquired;

(e) "unsuccessored pool" in respect of a corporation means the amount determined by the formula:

A + B – C

where

A is the amount deemed to have been acquired pursuant to subsection (7)(a),

B is the aggregate of all amounts each of which is the value of A calculated in accordance with subsection (6) for a taxation year,

C is the aggregate of the royalty tax deduction claim amounts in respect of the pool for all taxation years.

(2) Subject to subsection (3), a corporation's royalty tax deduction for the year is the aggregate of its royalty tax deduction claim amounts in respect of its unsuccessored pool, first successor pools and second successor pools.

(3) The corporation's royalty tax deduction for the year cannot exceed its taxable income for the year.

(4) Subject to subsection (3), the royalty tax deduction claim amount of the corporation in respect of each first successor pool or second successor pool cannot exceed the lesser of

(a) the pool amount available to be carried forward at the end of the immediately preceding taxation year, and

(b) property income in the taxation year.

(5) Subject to subsection (3), the royalty tax deduction claim amount of the corporation in respect of the corporation's unsuccessored pool is the lesser of

(a) the net amount available for the taxation year as calculated under subsection (6), and

(b) taxable income of the corporation for the year less the aggregate of all royalty tax deduction claim amounts for the year in respect of its first successor and second successor pools.

(6) The net amount available for a taxation year in respect of the corporation's unsuccessored pool is the amount determined by the formula

(A + B)

where

A is the amount, if any, by which the aggregate of

(a) the amounts required to be included in computing the corporation's income for the year by virtue of paragraph 12(1)(o) of the federal Act,

(b) the amounts in respect of which no deduction is allowed in computing the corporation's income for the year by virtue of paragraph 18(1)(m) of the federal Act, other than amounts described in the definition of "Canadian development expense" in subsection 66.2(5) of the federal Act or the definition of "Canadian oil and gas property expense" in subsection 66.4(5) of the federal Act,

(c) any amounts by which the fair market value, as determined under subsection 69(8) of the federal Act,

of petroleum, natural gas or related hydrocarbons or metal or minerals disposed of under dispositions referred to in subsection 69(6) of the federal Act, exceeds the proceeds of disposition, if any, actually received by the corporation in respect of the petroleum, natural gas or related hydrocarbons or metal or minerals so disposed of,

(d) any amounts by which the amount referred to in subsection 69(7) of the federal Act in respect of acquisitions of petroleum, natural gas or related hydrocarbons or metal or minerals referred to in that subsection exceeds the fair market value, as determined under subsection 69(9) of the federal Act, of the petroleum, natural gas or related hydrocarbons or metal or minerals so acquired, and

(e) any amount that would be deemed to have been payable in the year by a trust to the corporation as beneficiary of the trust under subsection 104(29) of the federal Act if the reference in that subsection to paragraph 18(1)(l.1) were struck out,

exceeds the aggregate of

(f) the amount of reimbursement received by the corporation under the terms of a contract, where the reimbursement was for an amount paid or payable by the corporation that is required to be included in computing its income or denied as a deduction in computing its income by virtue of paragraph 12(1)(o) or 18(1)(m) of the federal Act, and

(g) the amount allowed to the corporation for the year under section 8 in its adoption of paragraph 20(1)(v.1) of the federal Act;

B is the pool amount available to be carried forward at the end of the immediately preceding taxation year.

(7) Notwithstanding section 20(1)(b), where at the beginning of the first taxation year to which this section applies, the corporation, or the corporation as a successor corporation or a

second successor corporation, had attributed royalty income carry forward as defined in subsection (4) as it formerly read,

(a) the corporation is deemed to have acquired an unsuccessored pool amount available to be carried forward at that time equal to the attributed royalty income carry forward at the end of the immediately preceding taxation year in respect of which it was neither a successor corporation nor a second successor corporation as defined in subsection (5) or (6) as they formerly read,

(b) the corporation, formerly referred to as the successor corporation, is deemed to have acquired a first successor pool amount available to be carried forward at that time equal to the attributed royalty income carry forward at the end of the immediately preceding taxation year in respect of which it was a successor corporation as defined in subsection (5) as it formerly read,

(c) the corporation, formerly referred to as the second successor corporation, is deemed to have acquired a second successor pool amount available to be carried forward at that time equal to the attributed royalty income carry forward at the end of the immediately preceding taxation year in respect of which it was a second successor corporation as defined in subsection (6) as it formerly read, and

(d) the attributed royalty income carry forward of the corporation, the successor corporation and the second successor corporation is deemed to be nil.

(8) Except with respect to an amalgamation or winding-up to which subsection (10) or (11) applies, if a corporation has, at any time, acquired by purchase, amalgamation, merger, winding-up or otherwise from another person (in this subsection referred to as the "predecessor") all or substantially all of the Canadian resource properties of the predecessor,

(a) the corporation is deemed to have acquired

(i) a first successor pool amount available to be carried forward at the beginning of the taxation year in which the corporation acquired the properties equal

to the unsuccessored pool amount that the predecessor would have been entitled to carry forward in respect of its taxation year in which the properties were acquired, and

(ii) second successor pool amounts available to be carried forward at the beginning of the taxation year in which the corporation acquired the properties equal to the first successor pool amounts that the predecessor would have been entitled to carry forward in respect of its taxation year in which the properties were acquired,

and

(b) the predecessor's unsuccessored, first successor and second successor pool amounts available to be carried forward at the end of the taxation year in which it disposed of the properties are deemed to be nil.

(9) Where a corporation is not resident in Canada, the references to taxable income in subsections (3) and (5) and section 19.1 shall be read as a reference to taxable income earned in Canada.

(10) If there has been an amalgamation described in subsection 87(1) of the federal Act of corporations described in subsection 87(1.1) or (1.2) of the federal Act, the new corporation is, for the purposes of this section, deemed to be the same corporation as and a continuation of each predecessor corporation, except that this subsection shall in no respect affect the determination of any predecessor corporation's fiscal period, taxable income or tax payable.

(11) For the purposes of this section, if the rules in subsection 88(1) of the federal Act applied to the winding-up of a subsidiary, its parent is deemed to be the same corporation as and a continuation of the subsidiary.

(12) Subsection (8) does not apply to a corporation when the predecessor referred to in that subsection is exempt from tax under Part I of the federal Act on its taxable income, unless the predecessor

(a) is a corporation referred to in paragraph 149(1)(d) of the federal Act, and

(b) is a principal-business corporation as defined in subsection 66(15) of the federal Act.

(13) If a corporation is a member of a partnership, in computing for a taxation year each of the amounts described in the definition of A in subsection (6), it shall include its share of each of those amounts of the partnership, calculated as if the partnership were a corporation.

(14) For the purposes of this section, where at any time

(a) control of a corporation is acquired by a person or group of persons, or

(b) a corporation ceases to be exempt from tax under this Act on its taxable income,

so that subsection 66.7(10) of the federal Act as adopted by section 11(1) applies for the purposes of this Act, the following rules apply:

(c) the corporation is deemed to have disposed of all of the Canadian resource properties owned by it immediately prior to that time and to have acquired all of those properties from a predecessor immediately after that time;

(d) the corporation's unsuccessored pool amount available to be carried forward at the beginning of the taxation year commencing at that time is deemed to be nil and the corporation is deemed to have acquired a first successor pool amount available to be carried forward equal to its unsuccessored pool amount available to be carried forward at the end of the taxation year ending immediately before that time;

(e) the corporation's first successor pool amounts available to be carried forward at the beginning of the taxation year commencing at that time are deemed to be nil and the corporation is deemed to have acquired second successor pool amounts available to be carried forward equal to its first successor pool amounts available to be

carried forward at the end of the taxation year ending immediately before that time;

(f) the corporation's second successor pool amounts available to be carried forward at the beginning of the taxation year commencing at that time are deemed to be nil and no royalty tax deduction claim amounts may be claimed for the taxation year commencing at that time or any future taxation year in respect of those pools.

(15) This section applies to taxation years beginning on or after the day this section comes into force.

8 Section 20.1 is amended by adding the following after subsection (2):

(3) For the purposes of this section, any reference to section 20 is a reference to section 20 as it read before the coming into force of section 7 of the *Alberta Corporate Tax Amendment Act, 2003*.

9(1) Section 21 is amended

(a) by striking out "or" **at the end of clause (h);**

(b) by repealing clause (i) and substituting the following:

(i) beginning after March 31, 2002 and ending before April 1, 2003 is 13.0% of the amount taxable in Alberta for the year,

(j) part of which is before April 1, 2003 and part of which is after March 31, 2003, is the aggregate of

(i) 13.0% of the proportion of the amount taxable in Alberta for the year that the number of days in the year before April 1, 2003 bears to the number of days in the year, and

(ii) 12.5% of the proportion of the amount taxable in Alberta for the year that the number of days in the year after March 31, 2003 bears to the number of days in the year,

or

(k) beginning after March 31, 2003 is 12.5% of the amount taxable in Alberta for the year.

(2) Subsection (1) applies after March 31, 2003.

10(1) Section 22 is amended

(a) by repealing subsection (1)(g) and substituting the following:

(g) "specified partnership income" of a corporation for a taxation year has the meaning assigned to it by subsection 125(7) of the federal Act except that where the fiscal period of a partnership ends after March 31, 2001, paragraph (b) of the definition of A shall be read as follows:

(b) the aggregate of the amounts determined by the formulas

(i) $\frac{K}{L} \times P$,

(ii) $\frac{K}{L} \times Q$,

(iii) $\frac{K}{L} \times R$, and

(iv) $\frac{K}{L} \times S$

where

K and L have the meaning assigned to them in the definition of specified partnership income in subsection 125(7) of the federal Act, and

P is the lesser of

(i) $200 000, and

(ii) the product obtained when $548 is multiplied by the total of all amounts each of which is the number of days contained in a fiscal period of the partnership ending in the year that were before April 1, 2001,

Q is the lesser of

(i) $300 000, and

(ii) the product obtained when $822 is multiplied by the total of all amounts each of which is the number of days contained in a fiscal period of the partnership ending in the year that were after March 31, 2001 and before April 1, 2002,

R is the lesser of

(i) $350 000, and

(ii) the product obtained when $959 is multiplied by the total of all amounts each of which is the number of days contained in a fiscal period of the partnership ending in the year that were after March 31, 2002 and before April 1, 2003,

and

S is the lesser of

(i) $400 000, and

(ii) the product obtained when $1096 is multiplied by the total of all amounts each of which is the number of days contained in a fiscal period of the partnership ending in the year that were after March 31, 2003;

(b) in subsection (2.01) by striking out "20(2)" **and substituting** "19.1";

(c) in subsection (2.12) by adding "and before April 1, 2002" **after** "ending after March 31, 2001";

(d) in subsection (2.121) by adding "and before April 1, 2003" **after** "March 31, 2002" **wherever it occurs**;

(e) by adding the following after subsection (2.121):

(2.122) Subject to subsection (2.13), there may be deducted from the tax payable under section 21 for a taxation year ending after March 31, 2003 by a corporation that was, throughout the year, a Canadian-controlled private corporation an amount equal to the product obtained by the multiplication of the following:

(a) the small business allocation factor for the year;

(b) 8.5%;

(c) the proportion of the least of the following amounts that the number of days in the year after March 31, 2003 bears to the number of days in the year:

(i) the amount determined under subsection (2)(a);

(ii) the amount determined under subsection (2)(b);

(iii) 200% of the corporation's business limit for the year.

(f) in subsection (2.13)

(i) by striking out "20(2)" **wherever it occurs and substituting** "19.1";

(ii) in clause (c) by adding "and before April 1, 2003" **after** "March 31, 2002";

(iii) by adding the following after clause (c):

(d) under subsection (2.122) for a taxation year in excess of the product obtained when the proportion of the amount determined under section 19.1 that the number of days in the taxation year after March 31, 2003 bears to the number of days in the taxation year is multiplied by 8.5%.

(g) in subsection (2.2) by striking out "subsections (2), (2.11), (2.12) and (2.121)" **and substituting** "subsections (2), (2.11), (2.12), (2.121) and (2.122)".

(2) Subsection (1), except clauses (b) and (f)(i), applies after March 31, 2003.

11 Section 37.1(1)(a)(i)(B) is amended by striking out "19(1)" **and substituting** "19".

12 Section 48(1.105) is repealed.

13 Sections 72.2, 72.4 and 72.5 are repealed.

14 Section 92(1.01) is repealed and the following is substituted:

(1.01) Paragraph 87(2)(a) and sections 249 and 249.1 of the federal Act apply for the purpose of determining a taxation year of an insurance company.

Explanatory Notes

1 Amends chapter A-15 of the Revised Statutes of Alberta 2000.

2 New subclause added to the definition of "permanent establishment".

3 Section 14.1(5) presently reads:

(5) For the purposes of subsection (3), a qualified party is a corporation whose Alberta allocation factor for the particular taxation year, as determined by section 19(1), is at least 90%.

4 Section 14.2(5) presently reads:

(5) For the purposes of subsection (3), a qualified party is

(a) in the case of a corporation, a corporation whose Alberta allocation factor for the particular taxation year, as determined by section 19(1), is at least 90%, and

(b) in the case of a partnership, a partnership which, if it were treated as a corporation having a taxation year corresponding to its fiscal period, would have an Alberta allocation factor for the particular taxation year, as determined by section 19(1), of at least 90%.

5 Section 16.1(5) presently reads:

(5) For the purposes of subsection (3), a qualified party is

(a) in the case of a corporation, a corporation whose Alberta allocation factor for the particular taxation year, as determined by section 19(1), is at least 90%, and

(b) in the case of a partnership, a partnership which, if it were treated as a corporation having a taxation year corresponding to its fiscal period, would have an Alberta allocation factor for the particular taxation year, as determined by section 19(1), of at least 90%.

6 Section 19 presently reads in part:

19(1) The Alberta allocation factor is the quotient obtained when taxable income earned in Alberta is divided by taxable income.

7 Section 20 presently reads:

20(1) In this section, "attributed Canadian royalty income" of a corporation for a taxation year in which it had a permanent establishment in Alberta means the amount, if any, by which the aggregate of

(a) the amounts required to be included in computing the corporation's income for the year by virtue of paragraph 12(1)(o) of the federal Act,

(b) the amounts in respect of which no deduction is allowed in computing the corporation's income for the year by virtue of paragraph 18(1)(m) of the federal Act, other than amounts described in the definition of Canadian development expense in subsection 66.2(5) of the federal Act or the definition of Canadian oil and gas property expense in subsection 66.4(5) of the federal Act,

(c) any amounts by which the fair market value, as determined under subsection 69(8) of the federal Act, of petroleum, natural gas or related hydrocarbons or metal or minerals disposed of under dispositions referred to in subsection 69(6) of the federal Act exceeds the proceeds of disposition, if any, actually received by the corporation in respect of the petroleum, natural gas or related hydrocarbons or metal or minerals so disposed of,

(d) any amounts by which the amount referred to in subsection 69(7) of the federal Act in respect of acquisitions of petroleum, natural gas or related hydrocarbons or metal or minerals referred to in that subsection exceeds the fair market value, as determined under subsection 69(9) of the federal Act, of the petroleum, natural gas or related hydrocarbons or metal or minerals so acquired, and

(e) any amount that would be deemed to have been payable in the year by a trust to the

corporation as beneficiary of the trust under subsection 104(29) of the federal Act if the

reference in that subsection to paragraph 18(1)(l.1) were struck out,

exceeds the aggregate of

(f) the amount allowed to the corporation for the year under section 8 in its adoption of paragraph 20(1)(v.1) of the federal Act, and

(g) the amount of any reimbursement received by the corporation under the terms of a contract, where the reimbursement was for an amount paid or payable by the corporation that is required to be included in computing its income or denied as a deduction in computing its income by virtue of paragraph 12(1)(o) or 18(1)(m) of the federal Act.

(2) Subject to subsection (3), "amount taxable in Alberta" means the product obtained when taxable income less the royalty tax deduction is multiplied by the Alberta allocation factor.

(3) The corporation's royalty tax deduction for the year is the lesser of

(a) the aggregate of

(i) its attributed Canadian royalty income for the year, and

(ii) its attributed royalty income carry forward from the immediately preceding taxation year,

and

(b) its taxable income for the year.

(3.1) Where a corporation is not resident in Canada, the references to taxable income in subsections (2) and (3) shall be read as references to taxable income earned in Canada.

(4) The attributed royalty income carry forward for a taxation year is the amount, if any, by which subsection (3)(a) for that year exceeds subsection (3)(b) for that year and this amount is deemed to be zero if the corporation did not have a permanent establishment in Alberta at some time during that year.

(5) Except with respect to an amalgamation or winding-up to which subsection (6.1) or (6.2) applies, if a corporation (in this subsection referred to as the "successor corporation") has, at any time after May 6, 1974, acquired by purchase, amalgamation, merger, winding-up or otherwise from another person, (in this subsection referred to as the "predecessor") all or substantially all of the Canadian resource properties of the predecessor, the successor corporation shall, in determining its royalty tax deduction for a taxation year, be entitled to include in the calculation of its attributed Canadian royalty income for the year the lesser of

- *(a) the amount that, but for this subsection, the predecessor would have been entitled to carry forward under subsection (4) or under section 11(6) or (7) of the Alberta Income Tax Act in respect of its taxation year in which the property so acquired was acquired by the successor corporation, to the extent that such amount has not been included in the attributed Canadian royalty income of the successor corporation for a previous taxation year, and*

- *(b) an amount equal to such part of its income for the year if no deduction were allowed under section 65, 66, 66.1, 66.2, 66.4, 66.5 or 66.7 of the federal Act as may reasonably be regarded as attributable to the production of petroleum, natural gas or coal from the property so acquired from the predecessor,*

and in respect of any such attributed Canadian royalty income included in the amount referred to in clause (a), no amount may be used by the predecessor in determining the predecessor's royalty

tax deduction for a taxation year subsequent to its taxation year in which the property so acquired was acquired by the successor corporation.

(6) Except with respect to an amalgamation or winding-up to which subsection (6.1) or (6.2) applies, if a corporation (in this subsection referred to as the "second successor corporation") has, at any time after May 6, 1974, acquired by purchase, amalgamation, merger, winding-up or otherwise from another corporation (in this subsection referred to as the "first successor corporation") that was a successor corporation within the meaning of subsection (5), all or substantially all of the Canadian resource properties of the first successor corporation, the second successor corporation shall, in determining its royalty tax deduction for a taxation year, be entitled to include in the calculation of its attributed Canadian royalty income for the year the lesser of

(a) the amount determined under subsection (5)(a) in respect of the first successor corporation to the extent that the amount has not been included in the attributed Canadian royalty income of the first successor corporation for its previous taxation year in which the property so acquired was acquired by the second successor corporation and has not been included in the attributed Canadian royalty income of the second successor corporation for a taxation year, and

(b) an amount equal to such part of its income for the year if no deduction were allowed under section 65, 66, 66.1, 66.2, 66.4, 66.5 or 66.7 of the federal Act as may reasonably be regarded as attributable to the production of petroleum, natural gas or coal from the property acquired from the first successor corporation's predecessor corporation within the meaning of subsection (5),

and in respect of any such attributed Canadian royalty income included in the amount referred to in clause (a), no amount may be used by the first

successor corporation in determining its royalty tax deduction for a taxation year subsequent to its taxation year in which the property so acquired was acquired by the second successor corporation.

(6.1) If there has been an amalgamation described in subsection 87(1) of the federal Act of corporations described in subsection 87(1.1) of the federal Act, the new corporation is, for the purposes of this section, deemed to be the same corporation as and a continuation of each predecessor corporation, except that this subsection shall in no respect affect the determination of any predecessor corporation's fiscal period, taxable income or tax payable.

(6.2) For the purposes of this section, if the rules in subsection 88(1) of the federal Act applied to the winding-up of a subsidiary, its parent is deemed to be the same corporation as and a continuation of the subsidiary.

(6.3) If a corporation (in this subsection referred to as the "particular corporation") has, at any time after July 19, 1985, acquired by purchase, amalgamation, merger, winding-up or otherwise from another person (in this subsection referred to as the "predecessor") who is exempt from tax under Part I of the federal Act on its taxable income, other than a predecessor that

(a) is referred to in paragraph 149(1)(d) of the federal Act, and

(b) is a principal-business corporation within the meaning assigned to it by subsection 66(15) of the federal Act,

all or substantially all of the Canadian resource properties of the predecessor, subsections (5) and (6) do not apply to the particular corporation in respect of the acquisition of the property except to the extent that the property was acquired by it before 1987 pursuant to an agreement in writing made by it before July 20, 1985.

(6.4) For the purposes of this section, where at any time

(a) control of a corporation is acquired by a person or group of persons, or

(b) a corporation ceased to be exempt from tax under this Act on its taxable income,

such that subsection 66.7(10) of the federal Act as adopted by section 11(1) applies for the purposes of this Act, the following rules apply:

(c) if the corporation was not a successor corporation at that time within the meaning of subsection (5), for the purposes of subsection (5), the corporation is

(i) with respect to the taxation year ending immediately prior to that time, deemed

(A) to have immediately prior to that time disposed of all of the Canadian resource properties owned by it immediately prior to that time, and

(B) to be a predecessor corporation within the meaning of subsection (5),

and

(ii) with respect to taxation years ending after that time, deemed

(A) to have immediately prior to that time acquired all of the Canadian resource properties referred to in subclause (i)(A) from another person, and

(B) to be a successor corporation within the meaning of subsection (5);

(d) if the corporation was a successor corporation at that time within the meaning of subsection (5), for the purposes of subsection (6), the corporation is

(i) with respect to the taxation year ending immediately prior to that time, deemed

(A) to have immediately prior to that time disposed of all of the Canadian resource properties owned by it immediately prior to that time, and

(B) to be a first successor corporation within the meaning of subsection (6),

and

(ii) with respect to taxation years ending after that time, deemed

(A) to have immediately prior to that time acquired all of the Canadian resource properties referred to in subclause (i)(A) from another corporation, and

(B) to be a second successor corporation within the meaning of subsection (6);

(e) if the corporation was a second successor corporation at that time within the meaning of subsection (6), it is deemed

(i) to have immediately prior to that time disposed of all of the Canadian resource properties owned by it immediately prior to that time, and

(ii) to have acquired all of the Canadian resource properties referred to in subclause (i) from another corporation.

(7) If a corporation is a member of a partnership, in computing for a taxation year each of the amounts described in subsection (1)(a), (b), (c), (d), (d.1), (e) and (f), it shall include its share of each of those amounts of the partnership, calculated as if the partnership were a corporation.

8 Section 20.1 presently reads:

20.1(1) Notwithstanding section 20(1), in section 20(2) to (7), "attributed Canadian royalty income" of a corporation for a taxation year commencing in 1998, 1999, 2000 or 2001 in which it had a

permanent establishment in Alberta means the amount, if any, by which the aggregate of

(a) the amounts required to be included in computing the corporation's income for the year by virtue of paragraph 12(1)(o) of the federal Act,

(b) the amounts in respect of which no deduction is allowed in computing the corporation's income for the year by virtue of paragraph 18(1)(m) of the federal Act, other than amounts described in the definition of "Canadian development expense" in subsection 66.2(5) of the federal Act or the definition of "Canadian oil and gas property expense" in subsection 66.4(5) of the federal Act,

(c) any amounts by which the fair market value, as determined under subsection 69(8) of the federal Act, of petroleum, natural gas or related hydrocarbons or metal or minerals disposed of under dispositions referred to in subsection 69(6) of the federal Act exceeds the proceeds of disposition, if any, actually received by it in respect of the petroleum, natural gas or related hydrocarbons or metal or minerals so disposed of,

(d) any amounts by which the amount referred to in subsection 69(7) of the federal Act in respect of acquisitions of petroleum, natural gas or related hydrocarbons or metal or minerals referred to in that subsection exceeds the fair market value, as determined under subsection 69(9) of the federal Act, of the petroleum, natural gas or related

hydrocarbons or metal or minerals so acquired, and

(d.1) any amount that would be deemed to have been payable in the year by a trust to the corporation as beneficiary of the trust under subsection 104(29) of the federal Act if the reference in that subsection to paragraph 18(1)(l.1) were struck out,

exceeds the aggregate of

(e) the amount allowed to the corporation for the year under section 8 in its adoption of paragraph 20(1)(v.1) of the federal Act, and

(f) the amount of any reimbursement received by the corporation under the terms of a contract, where the reimbursement was for an amount paid or payable by the corporation that is required to be included in computing its income or denied as a deduction in computing its income by virtue of paragraph 12(1)(o) or 18(1)(m) of the federal Act.

(2) *For taxation years commencing in 1998, 1999, 2000 or 2001, the amounts referred to in section 20(7) are the corresponding amounts referred to in subsection (1) of this section.*

9 Section 21 presently reads in part:

21 Except where otherwise provided in this Part, the tax payable under this Act by a corporation that has a taxation year

(h) part of which is before April 1, 2002 and part of which is after March 31, 2002, is the aggregate of

(i) 13.5% of the proportion of the amount taxable in Alberta for the year that the number of days in the year before April 1, 2002 bears to the number of days in the year, and

(ii) 13.0% of the proportion of the amount taxable in Alberta for the year that the number of days in the year after March 31, 2002 bears to the number of days in the year,

or

(i) beginning after March 31, 2002 is 13% of the amount taxable in Alberta for the year.

10 Section 22 presently reads in part:

22(1) In this section,

(g) "specified partnership income" of a corporation for a taxation year has the meaning assigned to it by subsection 125(7) of the federal Act except that where the fiscal period of a partnership ends after March 31, 2001, paragraph (b) of the definition of A shall be read as follows:

(b) the aggregate of the amounts determined by the formulas

(i) K/L x P,

(ii) K/L x Q, and

(iii) K/L x R

where

K and L have the meaning assigned to them in the definition of specified partnership income in subsection 125(7) of the federal Act, and

P is the lesser of

(i) $200 000, and

(ii) the product obtained when $548 is multiplied by the total of all amounts each of which is the number of days contained in a fiscal period of the partnership ending in the year that were before April 1, 2001,

Q is the lesser of

(i) $300 000, and

(ii) the product obtained when $822 is multiplied by the total of all amounts each of which is the number of days contained in a fiscal period of the partnership ending in the year that were after March 31, 2001 and before April 1, 2002,

and

R is the lesser of

(i) $350 000, and

(ii) the product obtained when $959 is multiplied by the total of all amounts each of which is the number of days contained in a fiscal period of the partnership ending in the year that were after March 31, 2002.

(2.01) No amount may be deducted under subsection (2) for a taxation year in excess of the product obtained when the amount determined under section 20(2) is multiplied by the applicable percentage for the taxation year.

(2.12) Subject to subsection (2.13), there may be deducted from the tax payable under section 21 for a taxation year ending after March 31, 2001 by a corporation that was, throughout the year, a Canadian-controlled private corporation an amount equal to the product obtained by the multiplication of the following:

(a) the small business allocation factor for the year;

(b) 8.5%;

(c) the proportion of the least of the following amounts that the number of days in the year after March 31, 2001 and before April 1, 2002 bears to the number of days in the year:

(i) the amount determined under subsection (2)(a);

(ii) the amount determined under subsection (2)(b);

(iii) 150% of the corporation's business limit for the year.

(2.121) Subject to subsection (2.13), there may be deducted from the tax payable under section 21 for a taxation year ending after March 31, 2002 by a corporation that was, throughout the year, a Canadian-controlled private corporation an amount equal to the product obtained by the multiplication of the following:

(a) the small business allocation factor for the year;

(b) 8.5%;

(c) the proportion of the least of the following amounts that the number of days in the year after March 31, 2002 bears to the number of days in the year:

(i) the amount determined under subsection (2)(a);

(ii) the amount determined under subsection (2)(b);

(iii) 175% of the corporation's business limit for the year.

(2.13) No amount may be deducted

(a) under subsection (2.11) for a taxation year in excess of the product obtained when the proportion of the amount determined under section 20(2) that the number of days in the taxation year before April 1, 2001 bears to the number of days in the taxation year is multiplied by 9.5%,

(b) under subsection (2.12) for a taxation year in excess of the product obtained when the proportion of the amount determined under section 20(2) that the number of days in the taxation year after March 31, 2001 and before April 1, 2002 bears to the number of days in the taxation year is multiplied by 8.5%, or

(c) under subsection (2.121) for a taxation year in excess of the product obtained when the proportion of the amount determined under section 20(2) that the number of days in the taxation year after March 31, 2002 bears to the number of days in the taxation year is multiplied by 8.5%.

(2.2) For the purposes of subsections (2), (2.11), (2.12) and (2.121), the "small business allocation factor" is the Alberta allocation factor that would be determined if, during the taxation year, the

corporation had no permanent establishment in a country other than Canada.

11 Section 37.1(1) presently reads in part:

37.1(1) If a person acting on behalf of a corporation knowingly, or under circumstances amounting to gross negligence, has made or has participated in, assented to or acquiesced in the making of, a false statement or omission in a return, form, certificate, statement or answer (in this section referred to as a return) filed or made in respect of a taxation year for

the purposes of this Act, the corporation is liable to a penalty of the greater of $100 and 50% of the total of

(a) the amount, if any, by which

(i) the tax for the year that would be payable by the corporation under this Act, if the amount taxable in Alberta for the year were computed

(A) by adding to the taxable income reported by the corporation in its return for the year that portion of its understatement of income for the year that is

reasonably attributable to the false statement or omission,

(B) by recalculating the Alberta allocation factor as it would be calculated under section 19(1) if it were not for the false statement or omission, and

12 Section 48(1.105) presently reads:

(1.105) Notwithstanding subsection (1), where the Provincial Minister confirms a determination, assessment, reassessment or additional assessment in respect of a corporation under section 72.5(4), the corporation may object to the determination or assessment within 90 days after the day of mailing of the notice of confirmation only to the extent that the reasons for the objection may reasonably be regarded as relating to a matter that gave rise to the determination or assessment.

13 Sections 72.2, 72.4 and 72.5 presently read:

72.2(1) In this section, "assessment" means a determination under section 41(1.11) or any assessment, reassessment or additional assessment under this Act.

(2) If the Provincial Minister makes an assessment in respect of a corporation and the Provincial Minister is of the opinion that the matter that gave rise to the assessment includes or involves an avoidance transaction under section 72.1, the Provincial Minister shall send a notice to the corporation stating that section 72.1 is a basis for the assessment.

(3) A notice stating that section 72.1 is a basis for assessment may be

(a) combined with the notice of assessment, or

(b) sent to the corporation after the notice of assessment is issued.

(4) A corporation may appeal to the Appeal Committee established under section 72.4 not more than 90 days after the day of mailing of the notice under subsection (2).

72.4(1) There is hereby established an Appeal Committee consisting of no fewer than 4 members appointed by the Lieutenant Governor in Council.

(2) The Appeal Committee may sit in a panel of no fewer than 3 members of the Committee.

(3) The Appeal Committee is not bound by the rules of evidence or any other law applicable to judicial proceedings and has power to determine the admissibility, relevance and weight of any evidence.

(4) The Appeal Committee may determine the manner in which evidence is to be given to it.

(5) The Lieutenant Governor in Council may make regulations respecting

(a) panels of the Appeal Committee;

(b) applications to the Appeal Committee;

(c) hearings before the Appeal Committee.

72.5(1) The Appeal Committee may make an order

(a) dismissing the appeal in whole or in part, or

(b) allowing the appeal in whole or in part.

(2) An order under subsection (1) may include any terms or conditions the Appeal Committee considers necessary.

(3) The Appeal Committee may in its discretion award costs in respect of the appeal and the applicant and the Provincial Minister shall pay costs in accordance with the award.

(4) When the Appeal Committee makes an order, the Provincial Minister shall confirm, vary or cancel the determination, assessment, reassessment or additional assessment in accordance with the order.

(5) No determination, assessment, reassessment or additional assessment made by the Provincial Minister under subsection (4) is invalid by reason only of not having been made within any time period for making a determination, assessment, reassessment or additional assessment under this Act.

14 Section 92(1.01) presently reads:

(1.01) Section 1(1) applies for the purpose of determining a taxation year of an insurance company.