

Bill No. 55 of 1933.

A BILL TO AMEND THE INCOME TAX ACT.

---

NOTE.

Section 2 of the Bill eliminates the definition of a family corporation.

Section 3 of the Bill limits the exemption from taxation in respect of dividends paid by one corporate body to another to cases where the corporate body paying the income has been taxed under the Act in respect of the greater part of its profits.

Section 4 of the Bill modifies the nature of the allowable deductions from income on account of interest on borrowed capital: it further provides that the exemption of \$1,500 for persons other than married persons is only allowed where the dependents on account of whom the exemption is allowed are residing with him: it further provides that the exemption of \$400 in respect of a dependent child is not allowable in respect of the child on whose account the exemption of \$1,500 is allowable; and makes the deductions allowable on account of travelling expenses subject to the discretion of the Minister.

Section 5 of the Bill makes taxable as a part of the profits of a corporation any money paid to directors and other officials of a corporation for salary or fees if those persons are not resident in the Province, unless a separate return is made therefor and the tax at the rate payable by persons other than corporations is paid thereon.

Section 6 of the Bill expressly limits the exemption of corporations specified in subsection (2) of section 8, gas companies and electric light companies to the specific activity in respect of which the exemption is given.

The amendment made by section 7 of the Bill treats as the payment of a dividend any distribution made to shareholders of the assets of a company which is being wound up, discontinued or reorganized.

Section 8 repeals the provisions relating to family corporations.

Section 9 amends the provisions as to transfers to evade taxation by making any transfer of property, except one made by a husband to a wife or *vice versa*, liable to be taxed in respect of the income of the transferred property unless the Minister is satisfied that the transfer was not made for the purposes of tax evasion.

Section 10 provides as the date for making returns by employers as to salaries and by companies as to dividends the twenty-eighth day of February instead of the thirty-first day of March.

Section 11 imposes an express duty to comply with a demand for information made by the Minister, and authorizes him to require returns to be verified by statutory declaration.

Section 12 permits the representative of a taxpayer to give a notice of appeal; as the Act now stands the notice can only be given by the taxpayer or his solicitor.

Section 13 permits the negotiation of reciprocal agreements with the Dominion or any province whereby income tax returns made to one government may be inspected by the income tax officials of another government.

Section 14 makes the amendments made by the Bill applicable to 1932 income.

R. ANDREW SMITH,  
*Legislative Counsel.*

*(This note does not form any part of the Bill and is offered merely as a partial explanation of some of its provisions.)*

# BILL

No. 55 of 1933.

An Act to amend The Income Tax Act.

(Assented to \_\_\_\_\_, 1933.)

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

**1.** This Act may be cited as "*The Income Tax Act Amendment Act, 1933.*"

**2.** *The Income Tax Act*, being chapter 5 of the Statutes of Alberta, 1932, is hereby amended as to section 2 thereof by striking out paragraph (c) thereof.

**3.** The said Act is further amended as to section 4 thereof by inserting therein, immediately after the words "by any other incorporated company," where the same occur in paragraph (k) thereof, the words "the greater part of."

**4.** The said Act is further amended as to section 5 thereof—

(a) by striking out paragraph (b) of subsection (1) thereof and by substituting therefor the following:

"(b) Such reasonable amount of interest on borrowed capital used in the business to earn the income as the Minister in his discretion may allow notwithstanding the amount of interest payable by the taxpayer, but to the extent that the interest payable by the taxpayer is in excess of the amount allowed by the Minister hereunder, it shall not be allowed as a deduction";

(b) by striking out paragraph (c) of subsection (1) thereof and by substituting therefor the following:

"(c) One thousand five hundred dollars in the case of a married person or any other person who has dependent upon him and resident with him any of the following persons:

"(i) a parent or grandparent;

"(ii) a daughter or sister;

"(iii) a son or brother under twenty-one years of age or incapable of self-support on account of mental or physical infirmity";

(c) by adding to paragraph (e) of subsection (1) thereof the words "not being the child on account

of whom the taxpayer is entitled to the exemption of fifteen hundred dollars under paragraph (c) of this section”;

(d) by striking out paragraph (f) of subsection (1) thereof and by substituting therefor the following:

“(f) Travelling expenses, including such amount expended for meals and lodging, while away from home in the pursuit of a trade or business as the Minister in his discretion may allow.”

**5.** The said Act is further amended as to section 6 thereof by adding thereto, immediately after paragraph (f) thereof, the following new paragraph:

“(g) Fees or salaries paid to a person as director, president, vice-president, manager or other officer of a corporation, where that person is non-resident in the Province, unless a separate return is made therefor and income tax paid thereon at the rate provided in this Act for persons other than corporations and joint stock companies.”

**6.** The said Act is further amended as to section 8 thereof by adding at the end thereof the following new subsection:

“(6) Nothing in subsections (2), (3) and (4) of this section shall in any way exempt any corporation or joint stock company from liability for income tax on other operations carried on not distinctly specified in the above subsections hereinbefore referred to.”

**7.** The said Act is further amended as to section 18 thereof by striking out the words “earned in the taxation period 1931, and subsequent periods,” where the same occur in subsection (1) thereof.

**8.** The said Act is further amended as to section 21 thereof by repealing the same.

**9.** The said Act is further amended as to section 31 thereof by striking out subsection (1) thereof and by substituting therefor the following:

“(1) Where a person transfers property except as provided by subsection (2) of this section, such person shall nevertheless be liable to be taxed on the income derived from such property or from property substituted therefor as if such transfer had not been made, unless the Minister is satisfied that such transfer was not made for the purpose of evading the taxes imposed under this Act.”

**10.** The said Act is further amended as to section 38 thereof by striking out the words “thirty-first day of March,” where the same occur in subsection (4) thereof, and by substituting therefor the words “twenty-eighth day of February.”

**11.** The said Act is further amended as to section 40 thereof—

(a) by adding at the end of subsection (1) thereof the words “and such person shall deliver to the Minister such information, additional information or return within thirty days from the date of mailing of such registered letter”;

(b) by striking out subsection (2) thereof and by substituting therefor the following:

“(2) If the Minister desires verification of any return he may demand that the person by whom the return is signed do verify the correctness of such return by statutory declaration within the time specified in the demand.”

**12.** The said Act is further amended as to section 56 thereof by striking out the word “solicitor” where the same occurs in subsection (1) thereof, and by substituting therefor the word “representative.”

**13.** The said Act is further amended as to section 79 thereof by adding at the end thereof the following new subsection:

“(3) For the purpose of aiding in the investigation for taxation purposes of the income of any person, the Minister may enter into a reciprocal arrangement with the Government of the Dominion of Canada, or of any Province thereof whereby officers having the administration of any statute imposing an income tax of the said Dominion or of any Province thereof, as the case may be, are enabled to inspect any income tax returns made under this Act and officers having the administration of this Act are enabled to inspect any income tax returns made under any Act of the Dominion of Canada, or of any Province thereof, and thereupon any information obtained by means of any inspection made pursuant to any such agreement as aforesaid shall, for the purposes of this section, be deemed to be information obtained under the provisions of this Act.”

**14.** The provisions of this Act shall apply to all returns relating to any income for the year 1932 or for any other period which terminated in that year, and also to the taxes payable in respect of any income for the year 1932 or for any other period which terminated in that year.

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

THIRD SESSION  
SEVENTH LEGISLATURE  
23 GEORGE V  
1933

---

---

**BILL**

An Act to amend The Income Tax  
Act.

---

---

Received and read the

First time.....

Second time .....

Third time .....

---

---

HON. MR. REID

---

---

EDMONTON:  
W. D. McLEAN, KING'S PRINTER  
1933