

1973

## c 157 The Corporations Tax Amendment Act, 1973 (No. 2)

Ontario

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## CHAPTER 157

**An Act to amend  
The Corporations Tax Act, 1972**

*Assented to December 17th, 1973  
Session Prorogued March 5th, 1974*

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

1.—(1) Paragraph 44 of subsection 1 of section 1 of *The Corporations Tax Act, 1972*, being chapter 143, is amended <sup>s. 1 (1) par. 44, amended</sup> by striking out "or bituminous sands" in the second and third lines and inserting in lieu thereof ", bituminous sands, oil sands or oil shale".

(2) Paragraph 45 of subsection 1 of the said section 1 is <sup>s. 1 (1) par. 45, re-enacted</sup> repealed and the following substituted therefor:

45. "mineral resource" means,

- i. a base or precious metal deposit,
- ii. a coal deposit,
- iii. a bituminous sands deposit, oil sands deposit or oil shale deposit, or

iv. a mineral deposit in respect of which,

- (A) a certification has been made for purposes of the *Income Tax Act* (Canada) <sup>1970-71, c. 63 (Can.)</sup> that the principal mineral extracted is an industrial mineral contained in a non-bedded deposit,
- (B) the principal mineral extracted is sylvite, halite or gypsum, or
- (C) the principal mineral extracted is silica that is extracted from sandstone or quartzite.

s. 16 (1) (e) (ii),  
amended

2. Subclause ii of clause *e* of subsection 1 of section 16 of the said Act is amended by striking out "or subsection 8 of section 24" in the second line.

s. 20 (2),  
amended

3. Subsection 2 of section 20 of the said Act is amended by striking out "18" in the third line and inserting in lieu thereof "19".

s. 22 (4) (a) (ii),  
amended

- 4.—(1) Subclause ii of clause *a* of subsection 4 of section 22 of the said Act is amended by striking out "and" at the end of sub-subclause D, by adding "and" at the end of sub-subclause E and by adding thereto the following sub-subclause:

(F) the amount, if any, by which the corporation's paid-up capital limit (within the meaning of subsection 1 of section 83) at the end of the year exceeds the limit referred to in sub-subclause A,

. . . . .

s. 22 (5) (a) (ii),  
amended

- (2) Subclause ii of clause *a* of subsection 5 of the said section 22 is amended by striking out "described in subclause i, and" in the third and fourth lines and inserting in lieu thereof "of the corporation, if the shareholder, either alone or together with persons with whom he was not dealing at arm's length, owned 25 per cent or more of the issued shares of any class of the corporation, and"

. . . . .

s. 22,  
amended

- (3) The said section 22, as amended by the Statutes of Ontario, 1973, chapter 42, section 4, is further amended by adding thereto the following subsection:

When  
subs. 4 not  
applicable

- (8) Subsection 4 does not apply in computing the income for a fiscal year of a corporation whose principal business in Canada throughout the fiscal year was the developing or manufacturing of aircraft or aircraft components.

s. 24 (1) (f),  
amended

- 5.—(1) Clause *f* of subsection 1 of section 24 of the said Act is amended by striking out the five lines immediately following sub-subclause B of subclause i and striking out subclause ii and inserting in lieu thereof:

"the amount by which the lesser of the principal amount of the obligation and all amounts paid in the year or in any preceding year in satisfaction of the principal amount thereof exceeds the amount for which the obligation was issued, and

- (ii) in any other case, one-half of the lesser of the amount so paid and the amount by which the lesser of the principal amount of the obligation and all amounts paid in the year or in any preceding year in satisfaction of the principal amount thereof exceeds the amount for which the obligation was issued".

(2) Subsection 11 of the said section 24 is repealed.

s. 24 (11),  
repealed

6. Subsection 1 of section 31 of the said Act is repealed and the following substituted therefor:

s. 31 (1),  
re-enacted

(1) For the purpose of computing the income of a corporation for a fiscal year from a farming business, the income from the business for that fiscal year may, if the corporation so elects under subsection 1 of section 28 of the *Income Tax Act* (Canada), be computed in accordance with a method (in this section referred to as the "cash" method) whereby the income therefrom for that year shall be deemed to be an amount equal to the aggregate of,

Farming  
business

1970-71, c. 63  
(Can.)

(a) all amounts that,

(i) were received in the year, or are deemed by this Act to have been received in the year, in the course of carrying on the business, and

(ii) were in payment of or on account of an amount that would if the income from the business were not computed in accordance with the cash method, be included in computing income therefrom for that or any other year; and

(b) such amount, if any, as may be specified by the corporation in respect of the business in its return under Part V for the year, not exceeding the fair market value at the end of the year of live stock owned by it at that time in connection with the business,

minus the aggregate of

(c) all amounts that,

(i) were paid in the year, or are deemed by this Act to have been paid in the year, in the course of carrying on the business, and



(ii) were in payment of or on account of an amount that would, if the income from the business were not computed in accordance with the cash method, be deductible in computing income therefrom for that or any other year; and

(d) the amount, if any, specified by the corporation in respect of the business in accordance with clause *b* in its return under Part V filed for the immediately preceding fiscal year,

and minus any deductions for the year permitted by clauses *a* and *b* of subsection 1 of section 24.

s. 31a.  
enacted

7. The said Act is amended by adding thereto the following section:

Disposition  
of animal of  
basic herd  
class

31a.—(1) Where a corporation has a basic herd of a class of animals and disposes of an animal of that class in the course of carrying on a farming business in a fiscal year, if the corporation so elects in its return under Part V for the year the following rules apply,

(a) there shall be deducted in computing the corporation's basic herd of that class at the end of the year such number as is designated by it in its election, not exceeding the least of,

(i) the number of animals of that class so disposed of by it in the year,

(ii)  $\frac{1}{10}$  of its basic herd of that class on December 31, 1971, and

(iii) its basic herd of that class of animal at the end of the immediately preceding fiscal year; and

(b) there shall be deducted in computing the corporation's income from the farming business for the fiscal year the product obtained when,

(i) the number determined under clause *a* in respect of its basic herd of that class for the year,

is multiplied by

(ii) the quotient obtained when the fair market value on December 31, 1971 of its animals

of that class on that day is divided by the number of its animals of that class on that day.

(2) Where a corporation carries on a farming business in a fiscal year and its basic herd of any class at the end of the immediately preceding year, minus the deduction, if any, required by clause *a* of subsection 1 to be made in computing its basic herd of that class at the end of the year, exceeds the number of animals of that class owned by it at the end of the year,

Reduction in  
basic herd

(a) there shall be deducted in computing its basic herd of that class at the end of the year the number of animals comprising the excess; and

(b) there shall be deducted in computing its income from the farming business for the fiscal year the product obtained when,

(i) the number of animals comprising the excess, is multiplied by

(ii) the quotient obtained when the fair market value on December 31, 1971 of its animals of that class on that day is divided by the number of its animals of that class on that day.

(3) For the purposes of this section,

Interpre-  
tation

(a) a corporation's "basic herd" of any class of animals at a particular time means such number of the animals of that class that the corporation had on hand at the end of its 1971 fiscal year as were accepted for the purpose of assessing its tax under Part I of the *Income Tax Act* (Canada) for that year to be capital properties and not to be stock-in-trade, minus the numbers, if any, required by virtue of this section to be deducted in computing its basic herd of that class at the end of fiscal years of the corporation ending before the particular time;

1970-71, c. 63  
(Can.)

(b) "class of animals" means animals of a particular species, namely cattle, horses, sheep or swine, that are,

(i) purebred animals of that species for which a certificate of registration has been issued by a person recognized by breeders in Canada

of purebred animals of that species to be the registrar of the breed to which such animals belong, or issued by the Registrar of the Canadian National Livestock Records, or

- (ii) animals of that species other than purebred animals described in subclause i,

each of which descriptions in subclauses i and ii shall be deemed to be of separate classes, except that where the number of the corporation's animals described in subclause i or ii, as the case may be, of a particular species is not greater than 10 per cent of the total number of the corporation's animals of that species that would otherwise be of two separate classes by virtue of this clause, its animals described in subclauses i and ii of that species shall be deemed to be of a single class; and

- (c) in determining the number of animals of any class on hand at any time, an animal shall not be included if it was acquired for a feeder operation, and an animal shall be included only if its actual age is not less than,

- (i) in the case of cattle, 2 years,

- (ii) in the case of horses, 3 years, and

- (iii) in the case of sheep or swine, one year,

except that two animals of a class under the age specified in subclause i, ii or iii, as the case may be, shall be counted as one animal of the age so specified.

s. 33 (1),  
re-enacted

8. Subsection 1 of section 33 of the said Act is repealed and the following substituted therefor:

Loss from  
farming  
where chief  
source of  
income not  
farming

(1) Where a corporation's chief source of income for a fiscal year is neither farming nor a combination of farming and some other source of income, for the purposes of sections 12 and 99, its loss, if any, for the fiscal year from all farming businesses carried on by it shall be deemed to be the aggregate of,

- (a) the lesser of,

- (i) the amount by which the aggregate of its losses for the fiscal year, determined without



reference to this section and before making any deductions in respect of expenditures described in section 39, from all farming businesses carried on by it exceeds the aggregate of its incomes for the fiscal year, so determined from all such businesses, and

(ii) \$2,500 plus the lesser of,

(A) one-half of the amount by which the amount determined under subclause i exceeds \$2,500, and

(B) \$2,500; and

(b) the amount, if any, by which,

(i) the amount that would be determined under subclause i of clause *a* if it were read as though the words "and before making any deductions in respect of expenditures described in section 39" were deleted,

exceeds

(ii) the amount determined under subclause i of clause *a*,

and for the purposes of this Act the amount, if any, by which the amount determined under subclause i of clause *a* exceeds the amount determined under subclause ii of clause *a* is the corporation's "restricted farm loss" for the fiscal year.

9. Clause *a* of subsection 1 of section 36 of the said Act is amended by striking out "and clause *o* of subsection 1 of section 24 are" in the first and second lines and inserting in lieu thereof "is". s. 36 (1) (a),  
amended

10. Section 50 of the said Act is repealed and the following substituted therefor: s. 50,  
re-enacted

50.—(1) For the purposes of this Subdivision, where a corporation has ceased, at any particular time in a fiscal year and after 1971, to be resident in Canada, it shall be deemed to have disposed, immediately before the particular time, of each property, other than any property that would be taxable Canadian property if at no time in the fiscal year it had been resident in Canada, that was owned by the corporation immediately before the particular time, for proceeds of disposition equal to the fair market value of the property Deemed  
disposition of  
property  
where cor-  
poration has  
ceased to be  
resident in  
Canada



immediately before the particular time, and to have re-acquired the property immediately after it so ceased to be resident in Canada at a cost equal to that fair market value.

Deemed  
acquisition of  
property on  
becoming  
resident in  
Canada

(2) For the purposes of this Subdivision, where a corporation has become, at any particular time in a fiscal year and after 1971, resident in Canada, it shall be deemed to have acquired at the particular time each property owned by it at that time, other than property that would be taxable Canadian property if it had disposed of it immediately before the particular time at a cost equal to its fair market value at the particular time.

s. 51 (2),  
amended

11. Subsection 2 of section 51 of the said Act, as amended by the Statutes of Ontario, 1973, chapter 42, section 6, is further amended by striking out "Where at any time an option granted after 1971 by a corporation to acquire shares of its capital stock or bonds or debentures to be issued by it, other than an option the consideration for the granting of which is an amount described in subclause v of clause b of subsection 12 of section 63 and paid pursuant to an agreement described in that subclause, expires" in the amendment of 1973 and inserting in lieu thereof "Where at any time an option granted after 1971 by a corporation to acquire shares of its capital stock or bonds or debentures to be issued by it (other than an option to acquire shares of the capital stock of a corporation in consideration for the incurring, pursuant to an agreement described in subclause v of clause b of subsection 12 of section 63, of any expense described in that subclause) expires".

s. 53,  
amended

12. Section 53 of the said Act is amended by striking out "preferred" in the third line.

s. 54,  
amended

- 13.—(1) Section 54 of the said Act is amended by adding thereto the following subsection:

Idem

(1a) For the purposes of this Subdivision, where a corporation to which subsection 2 or 3 of section 2 applies, has acquired property after 1971 that would, if the corporation disposed of it, be taxable Canadian property of that corporation and an amount in respect of the value thereof has been included in computing the corporation's taxable income earned in Canada, the amount so included shall be added in computing the cost to the corporation of that property.

s. 54 (5),  
repealed

- (2) Subsection 5 of the said section 54 is repealed.

s. 54,  
amended

- (3) The said section 54 is further amended by adding thereto the following subsection:

(6) Where a corporation that is a beneficiary under a unit trust has, after 1971, acquired a right to enforce payment of an amount by the unit trust out of its capital gains or income from property for the fiscal year of the corporation in which the right was acquired by it, notwithstanding subsection 1, it shall be deemed to have acquired the right at a cost to it equal to the amount that became so payable minus such portion of that amount as was deductible in computing its income by virtue of subsection 1 of section 62 or subsection 2 of section 93.

Cost of right  
received from  
unit trust

- 14.—(1) Subsection 1 of section 55 of the said Act is amended by adding “and” at the end of clause *i* and adding thereto the following clause:

(j) where the property is an expropriation asset of the corporation for the purposes of section 74*a* or an asset of the corporation assumed for the purposes of that section to be an expropriation asset thereof, any amount required by paragraph *b* of subsection 2 of section 80.1 of the *Income Tax Act* (Canada) to be added in computing the adjusted cost base to it of the asset.

s. 55 (1),  
amended  
1970-71, c. 63  
(Can.)

- (2) Clause *d* of subsection 2 of the said section 55 is repealed and the following substituted therefor:

s. 55 (2) (d),  
re-enacted

(*d*) where the property is a share, or an interest therein or a right thereto, of the capital stock of a corporation, an amount equal to any expense incurred by the corporation in consideration therefor, to the extent that the expense was by virtue of subclause *v* of clause *b* of subsection 12 of section 63 a Canadian exploration and development expense incurred by it.

- (3) Clause *k* of subsection 2 of the said section 55 is amended by striking out “and” in the sixth line.

s. 55 (2) (k),  
amended

- (4) Clause *l* of subsection 2 of the said section 55 is repealed and the following substituted therefor:

s. 55 (2) (l),  
re-enacted

- (*l*) such part of the cost to the corporation of the property as was deductible (otherwise than by virtue of this Subdivision) in computing the corporation's income for any fiscal year commencing before that time and ending after 1971; and
- (*m*) where the property is an expropriation asset of the corporation for the purposes of section 74*a* or an asset of the corporation assumed for the purposes

of that section to be an expropriation asset thereof, any amount required by paragraph *b* of subsection 2 of section 80.1 of the *Income Tax Act* (Canada) to be deducted in computing the adjusted cost base to it of the asset.

1970-71, c. 63  
(Can.)

s. 60 (1) (a),  
amended

15. Clause *a* of subsection 1 of section 60 of the said Act is amended by striking out "or a payment of an annuity paid or purchased pursuant to a deferred profit sharing plan" in the third, fourth and fifth lines and inserting in lieu thereof "or a payment of an annuity paid or purchased pursuant to a deferred profit sharing plan or pursuant to a plan referred to in subsection 9 of section 120 as a 'revoked plan'".

s. 62 (1, 2),  
re-enacted

16. Subsections 1 and 2 of section 62 of the said Act are repealed and the following substituted therefor:

Allowance  
for oil or  
gas well, mine  
or timber  
limit

(1) There may be deducted in computing a corporation's income for a fiscal year such amount as an allowance, if any, in respect of,

- (a) an oil or gas well, mineral resource or timber limit; or
- (b) the processing, to the prime metal stage or its equivalent, of ore from a mineral resource,

as is allowed to the corporation by regulation.

Regulations

(2) For greater certainty it is hereby declared that, in the case of a regulation made under subsection 1 allowing to a corporation an amount in respect of an oil or gas well or a mineral resource or in respect of the processing of ore,

- (a) there may be allowed to the corporation by such regulation an amount in respect of any or all,
  - (i) oil or gas wells or mineral resources in which the corporation has any interest, or
  - (ii) processing operations described in clause *b* of subsection 1 that are carried on by the corporation; and
- (b) notwithstanding any other provision contained in this Act, the Lieutenant Governor in Council may prescribe the formula by which the amount that may be allowed to the corporation by such regulation shall be determined.



- 17.—(1) Sub-subclause A of subclause ii of clause *b* of subsection 3 of section 63 of the said Act is repealed and the following substituted therefor:

(A) such part of its income for the fiscal year as may reasonably be regarded as attributable to the production of petroleum or natural gas from wells in Canada or to the production of minerals from mines in Canada,

- (2) Subsection 7 of the said section 63 is amended by striking out “that is a principal-business corporation” in the third line. s. 63 (7),  
amended
- (3) Clause *a* of subsection 7 of the said section 63 is amended by striking out “1” in the first line and inserting in lieu thereof “1 or 3, as the case may be”. s. 63 (7) (a),  
amended
- (4) Subclause *v* of clause *b* of subsection 12 of the said section 63 is amended by striking out “where the corporation is a principal-business corporation, the amount paid by it for any share or any interest therein or right thereto, to the extent that the amount was paid pursuant to an agreement under which it undertook to incur, after 1971, the cost of” in the first, second, third, fourth, fifth and sixth lines and inserting in lieu thereof “any expense incurred by the corporation after 1971 pursuant to an agreement with another corporation under which the corporation incurred the expense solely in consideration for shares of the capital stock of the corporation issued to it by the corporation or any interest in such shares or right thereto, to the extent that the expense was incurred as or on account of the cost of”. s. 63 (12) (b) (v),  
amended
- (5) Subclause *vii* of clause *b* of subsection 12 of the said section 63 is repealed and the following substituted therefor: s. 63 (12)  
(b) (vii),  
re-enacted
- (vii) any expense described in subclause *v* incurred by another person to the extent that the expense was, by virtue of subclause *v*, a Canadian exploration and development expense of that other person.
- (6) Subclauses *i*, *ii* and *iii* of clause *g* of subsection 12 of the said section 63 are repealed and the following substituted therefor: s. 63 (12) (g),  
(i, ii),  
re-enacted  
s. 63 (12) (g),  
(iii),  
repealed



- (i) was a shareholder of the joint exploration corporation, and
- (ii) made payments to the joint exploration corporation in respect of Canadian exploration and development expenses incurred by the joint exploration corporation.

s. 67,  
amended

18. Section 67 of the said Act is amended by adding thereto the following subsections:

Debt deemed  
not to be  
income debt

(4) Where a cash purchase ticket is issued to a corporation in respect of grain delivered in a fiscal year of a corporation to a primary elevator and such ticket entitles the holder thereof to payment by the operator of the elevator of the purchase price, without interest, stated in the ticket for the grain at a date that is after the end of the fiscal year, the amount of the purchase price stated in the ticket shall, notwithstanding any other provision of this section, be included in computing the income of the corporation to whom the ticket was issued for its fiscal year immediately following the fiscal year in which the grain was delivered and not for the fiscal year in which the grain was delivered.

Meaning  
of certain  
expressions  
R.S.C. 1970,  
cc. G-15, C-12

(5) For the purposes of subsection 4, the expressions "cash purchase ticket", "operator" and "primary elevator" have the meanings given to those expressions by the *Canada Grain Act* and "grain" means wheat, oats, barley, rye, flaxseed and rapeseed produced in the designated area defined by the *Canadian Wheat Board Act*.

s. 71 (f),  
amended

19. Clause *f* of section 71 of the said Act is amended by adding at the end thereof "or to be deducted in computing the capital cost to the corporation of any depreciable property or the adjusted cost base to it of any capital property".

s. 74a,  
enacted

20. The said Act is further amended by adding thereto the following section:

Expropriation assets  
acquired as  
compensation for or as  
consideration for sale  
of foreign  
property  
1970-71, c. 63  
(Can.)

74a. Where, in a fiscal year ending coincidentally with or after December 31, 1971, a corporation that is a taxpayer resident in Canada for purposes of the *Income Tax Act* (Canada) has,

- (a) acquired expropriation assets in any of the circumstances described in section 80.1 of that Act; and
- (b) made the appropriate elections as required by that section,

the provisions of section 80.1 of the *Income Tax Act* (Canada), 1970-71, c. 63 (Can.) except paragraphs *c* and *d* of subsection 4 thereof, apply for the purposes of this Act.

- 21.**—(1) Subsection 1 of section 79 of the said Act is amended by <sup>s. 79 (1),</sup> inserting after “person” in the third line “or a property <sup>amended</sup> referred to in subsection 2 of section 59 of the person”.
- (2) The said section 79 is amended by adding thereto the <sup>s. 79,</sup> following subsection: <sup>amended</sup>
- (1a) Subsection 1 does not apply with respect to any <sup>Exception</sup> disposition by a person of any of his property referred to <sup>to subs. 1</sup> in subsection 2 of section 59 if the corporation to which the property was disposed of has carried on any business before the disposition.
- (3) Clause *a* of subsection 2 of the said section 79 is amended <sup>s. 79 (2) (a),</sup> by inserting after “partnership” in the second line “or <sup>amended</sup> a property referred to in subsection 2 of section 59 of a partnership”.
- (4) The said section 79 is further amended by adding thereto <sup>s. 79,</sup> the following subsection: <sup>amended</sup>
- (2a) Subsection 2 does not apply with respect to any <sup>Exception</sup> disposition by a partnership of any partnership property <sup>to subs. 2</sup> referred to in subsection 2 of section 59 if the corporation to which the property was disposed of has carried on any business before the disposition.
- (5) Subsection 3 of the said section 79 is amended by striking <sup>s. 79 (3),</sup> out “and” at the end of clause *f*, by adding “and” at <sup>amended</sup> the end of clause *g* and by adding thereto the following clause:
- (h) where the partnership has distributed partnership property referred to in clause *c* to a member of the partnership, the partnership shall be deemed to have disposed of that property for proceeds equal to the cost amount to the partnership of the property immediately before its distribution.

- 22.**—(1) Subsection 2 of section 81 of the said Act is amended <sup>s. 81 (2),</sup> by adding “and” at the end of clause *za* and by adding <sup>amended</sup> thereto the following clause:
- (2b) where a predecessor corporation was a public corporation immediately before the amalgamation,

the new corporation shall be deemed to have been a public corporation at the commencement of its first fiscal year.

s. 81 (4) (b)  
(iii) (A),  
re-enacted

- (2) Sub-subclause A of subclause iii of clause *b* of subsection 4 of the said section 81 is repealed and the following substituted therefor:

(A) the persons, except any predecessor corporation, who together owned all of the common shares of the capital stock of the predecessor corporation immediately before the amalgamation together received as consideration for the disposition of those shares on the amalgamation, either,

1. not less than 25 per cent of the shares of each particular class of the issued common shares of the capital stock of the new corporation immediately after the amalgamation, or
2. common shares of the capital stock of the new corporation to which are attached not less than 25 per cent of all votes that could be cast for any and all purposes by holders of common shares of the new corporation immediately after the amalgamation and representing not less than 25 per cent of the fair market value of all common shares of the new corporation issued and outstanding at that time.

s. 81 (5),  
re-enacted

- (3) Subsection 5 of the said section 81 is repealed and the following substituted therefor:

Determina-  
tion of  
percentages

- (5) In determining any of the percentages referred to in sub-subclause A of subclause iii of clause *b* of subsection 4, the percentages shall be deemed to be,

(a) the percentages otherwise determined,

plus

(b) that proportion of the percentage otherwise determined that,



- (i) the fair market value of the issued common shares of the capital stock of the particular predecessor corporation owned by all other predecessor corporations immediately before the amalgamation,

is of,

- (ii) the fair market value of the issued common shares of the capital stock of the particular predecessor corporation owned by all persons, except any predecessor corporation, immediately before the amalgamation.

**23.** -(1) Subclause ii of clause *b* of section 82 of the said Act is amended by inserting after "winding-up" in the sixth line "minus any subsequent deduction from that adjusted cost base that is required by subsection 2 of section 55 to be made as a result of the deemed dividend referred to in clause *e*". s. 82 (b) (ii),  
amended

(2) Clause *e* of the said section 82 is amended by striking out "immediately before the winding-up" in the third line and inserting in lieu thereof "at the particular time referred to in subsection 2" and by inserting after "winding-up" in the eighth line "and the dividend shall be deemed to have become payable by the subsidiary at the particular time referred to in subsection 2". s. 82 (e),  
amended

(3) The said section 82 is amended by adding thereto the following subsection: s. 82,  
amended

(2) Where a Canadian corporation, whether or not it is a subsidiary within the meaning of subsection 1, has been wound up after 1971 and, at a particular time in the course of the winding-up, all or substantially all of the property owned by the corporation immediately before that time was distributed to the shareholders of the corporation, Winding-up  
of a  
Canadian  
corporation

(a) for the purposes of computing,

- (i) the corporation's 1971 capital surplus on hand,
- (ii) its paid-up capital deficiency,
- (iii) its capital dividend account, and
- (iv) its capital gains dividend account (within the meaning given to that expression by section 110),



at the time (in this clause referred to as the "time of computation") immediately before the particular time,

- (v) the fiscal year of the corporation that otherwise would have included the particular time shall be deemed to have ended immediately before the time of computation, and a new fiscal year shall be deemed to have commenced at that time, and
  - (vi) each property of the corporation that was so distributed at the particular time shall be deemed to have been disposed of by the corporation immediately before the end of the fiscal year so deemed to have ended, for proceeds equal to the fair market value thereof immediately before the particular time except that this subclause shall not apply in determining the proceeds of disposition of such property where the corporation is a subsidiary within the meaning of subsection 1; and
- (b) where the corporation is, by virtue of subsection 2 of section 78 or clause *e* of subsection 1, deemed to have paid at the particular time a dividend (in this clause referred to as the "winding-up dividend") on shares of any class of its capital stock, the following rules apply,
- (i) such portion of the winding-up dividend as does not exceed the corporation's capital dividend account immediately before that time or capital gains dividend account immediately before that time, as the case may be, shall be deemed, for the purposes of an election in respect thereof under subsection 2 of section 77 or subsection 4 of section 110, as the case may be, and where the corporation has so elected, for all other purposes, to be the full amount of a separate dividend,
  - (ii) the portion of the winding-up dividend equal to the lesser of,
    - (A) the amount by which the winding-up dividend exceeds the portion thereof in respect of which the corporation has made an election under subsection 2 of section 77 or subsection 4 of section 110, as the case may be, and

- (B) the aggregate of the corporation's tax-paid undistributed surplus on hand immediately before that time and its 1971 capital surplus on hand immediately before that time,

shall, for the purposes of an election in respect thereof under subsection 1 of section 77, and, where the corporation has so elected, for all other purposes, be deemed to be the full amount of a separate dividend,

- (iii) notwithstanding clause *j* of subsection 1 of section 83, the winding-up dividend, to the extent that it exceeds the aggregate of the portions thereof deemed by subclause i or ii to be separate dividends for all purposes, shall be deemed to be a separate dividend that is a taxable dividend, and
- (iv) each person who held any of the issued shares of that class at the particular time shall be deemed to have received that proportion of any separate dividend determined under subclause i, ii or iii that the number of shares of that class held by him immediately before the particular time is of the number of the issued shares of that class outstanding immediately before that time.

**24.—**(1) Clause *g* of subsection 1 of section 83 of the said Act is <sup>s. 83 (1) (g),  
amended</sup> amended by adding at the end thereof "except that where a corporation's first fiscal year ended after 1971 and the corporation has, after 1971 and on or before the day on or before which it was required by section 145 to file its return for that fiscal year, become a public corporation, it shall, if it so elected in that return, be deemed to have been a public corporation from the commencement of that fiscal year until the day on which it so became a public corporation".

(2) Clause *h* of subsection 1 of the said section 83 is <sup>s. 83 (1) (h),  
amended</sup> amended by adding thereto the following subclause:

- (iia) an amount in respect of a government right or an original right in respect of a government right (within the meanings referred to in subparagraph ii.1 of paragraph *h* of subsection 1 of section 89 of the *Income Tax Act* (Canada)) held by the corporation at that <sup>1970-71, c. 63  
(Can.)</sup>

time equal to the aggregate of all amounts each of which is an outlay or expenditure referred to in that subparagraph made or incurred by the corporation for the purpose of acquiring the right.

s. 83 (1) (h) (iii),  
re-enacted

- (3) Subclause iii of clause *h* of subsection 1 of the said section 83 is repealed and the following substituted therefor:

(iii) an amount in respect of any capital property (other than depreciable property) owned by the corporation at that time equal to,

(A) in the case of capital property referred to in clause A of subparagraph iii of paragraph *h* of subsection 1 of section 89 of the *Income Tax Act* (Canada), the amount determined for the purposes of that clause to be the actual cost of the property to the corporation, and

(B) in the case of any other capital property, its cost to the corporation determined without reference to *The Corporations Tax Application Rules, 1972*, minus any amounts in respect of the cost thereof deducted in computing the income of the corporation under Part III of *The Corporations Tax Act* as it read in its application to fiscal years prior to 1972,

1970-71, c. 63  
(Can.)

R.S.O. 1970,  
c. 91

s. 83 (1) (k) (ii),  
amended

- (4) Subclause ii of clause *k* of subsection 1 of the said section 83 is amended by striking out "and" in the fourth line.

s. 83 (1) (k),  
amended

- (5) Clause *k* of subsection 1 of the said section 83 is amended by adding thereto the following subclause:

(iia) if the corporation has, before the particular time, elected, under subsection 1 of section 196 of the *Income Tax Act* (Canada) in respect of an amount referred to in paragraph *b* of subsection 1 of section 196 of that Act, to pay a tax on the full amount of its 1971 undistributed income on hand immediately before the election, the amount by which,



- (A) all amounts on which, after the particular time and as a result of the election, tax has been paid by the corporation under Part IX of the *Income Tax Act* (Canada) within ninety <sup>1970-71, c. 63 (Can.)</sup> days from the day of mailing of the notice of assessment of that tax,

exceeds

- (B) all amounts of that tax, and

- (6) Subclause ii of clause *l* of subsection 1 of the said section <sup>s. 83 (1) (i) (ii), amended</sup> 83 is amended by inserting after "time," in the fifth line "other than shares of the capital stock of a subsidiary corporation referred to in subsection 1 of section 82 that were disposed of on the winding-up of the subsidiary where that winding-up commenced after May 29, 1973" and by adding at the end thereof "other than subsections 15, 17 and 21 of section 26 of the *Income Tax Application Rules, 1971* (Canada)".
- (7) Subclause vii of clause *l* of subsection 1 of the said <sup>s. 83 (1) (i) (vii), amended</sup> section 83 is amended by inserting after "time," in the sixth line "other than shares of the capital stock of a subsidiary corporation referred to in subsection 1 of section 82 that were disposed of on the winding-up of the subsidiary where that winding-up commenced after May 29, 1973" and by inserting after "1972" in the ninth line "other than subsections 15, 17 and 21 of section 26 of the *Income Tax Application Rules, 1971* (Canada)".
- (8) The said section 83 is amended by adding thereto the <sup>s. 83, amended</sup> following subsection:
- (3) Where a dividend becomes payable at the same time <sup>Simultaneous dividends</sup> on more than one class of shares of the capital stock of a corporation, for the purposes of sections 77, 78 and 82, the dividend on any such class of shares shall be deemed to become payable at a different time than the dividend on the other class or classes of shares and such dividends shall be deemed to become payable in the order designated in prescribed manner by the corporation or, in the event that the corporation does not so designate any such order, in the order as determined for purposes of subsection 3 of section 89 of the *Income Tax Act* (Canada).

- 25.** Section 85 of the said Act is amended by adding thereto the <sup>s. 85, amended</sup> following subsection:



Validity of  
election by  
member of  
partnership

(3) Where a corporation that was a member of a partnership during a fiscal period thereof that ended after 1971 has, for any purpose relevant to the computation of its income from the partnership for the fiscal period made or executed an election under the provisions of any of subsections 11 and 12 of section 17, subsection 10 of section 24, subsections 1 to 4 of section 25, section 26, subsection 1 of section 31*a*, or clause *d* of subsection 1 of section 36, that, but for this subsection, would be a valid election, the following rules apply,

(a) the election is not valid unless,

(i) it was made or executed on behalf of the corporation and each other person who was a member of the partnership during the fiscal period, and

(ii) the corporation had authority to act for the partnership;

(b) unless the election is invalid by virtue of clause *a*, each other person who was a member of the partnership during the fiscal year shall be deemed to have made or executed the election; and

(c) notwithstanding clause *a*, any election deemed by clause *b* to have been made or executed by any person shall be deemed to be a valid election made or executed by him.

s. 96 (1),  
re-enacted

**26.**—(1) Subsection 1 of section 96 of the said Act is repealed and the following substituted therefor:

(1) Where a corporation has disposed of all or any part of its capital interest in a trust,

(a) for the purposes of computing the corporation's taxable capital gain, if any, from the disposition of the interest or part thereof, as the case may be, the adjusted cost base to the corporation thereof immediately before the disposition shall be deemed to be an amount equal to the greater of the adjusted cost base to it thereof otherwise determined immediately before that time and the cost amount to it thereof immediately before that time; and

(b) for greater certainty, for the purposes of computing the corporation's allowable capital loss, if any, from the disposition of the interest or part thereof, as

Disposition  
by corpora-  
tion of  
capital  
interest

the case may be, the adjusted cost base to the corporation thereof immediately before the disposition is the adjusted cost base to it thereof immediately before that time as determined under this Act without reference to clause *a*,

except that where the interest was an interest in an *inter vivos* trust not resident in Canada that was purchased by the corporation, clause *a* does not apply in respect of the disposition of all or any part thereof except where subsection 2 is applicable in respect of any distribution of property by the trust to the corporation in satisfaction of that interest or that part thereof, as the case may be.

- (2) Clause *b* of subsection 2 of the said section 96 is repealed <sup>s. 96 (2) (b),</sup> and the following substituted therefor: <sup>re-enacted</sup>

(*b*) the corporation shall be deemed to have acquired the property at a cost equal to the aggregate of its cost amount to the trust immediately before that time and the amount, if any, by which,

(i) the adjusted cost base to the corporation of the capital interest or part thereof, as the case may be, immediately before that time as determined for the purposes of clause *b* of subsection 1,

exceeds

(ii) the cost amount to the corporation of the capital interest or part thereof, as the case may be, immediately before that time.

- 27.**—(1) Clause *c* of subsection 1 of section 97 of the said Act <sup>s. 97 (1) (c),</sup> is amended by inserting after "interest" in the first line, <sup>amended</sup> the sixth line and the twenty-fourth line "or part thereof, as the case may be" and by striking out "full" in the fifth line.

- (2) Subclause *vi* of clause *b* of subsection 2 of the said <sup>s. 97 (2) (b)</sup> section 97 is repealed and the following substituted <sup>(vi),</sup> therefor: <sup>re-enacted</sup>

(*vi*) where there were prescribed, for the purposes of this subclause, conditions relating to the number of its unit holders, dispersal of ownership of its units or public trading of its units, all holdings of and transactions in its units accorded with those conditions.

s. 101 (b),  
amended

28. Clause *b* of section 101 of the said Act is amended by striking out "viii" in the seventh line and inserting in lieu thereof "ix".

s. 109 (2) (a)  
(1) (A),  
re-enacted

- 29.—(1) Sub-subclause A of subclause i of clause *a* of subsection 2 of section 109 of the said Act, as re-enacted by the Statutes of Ontario, 1973, chapter 42, section 8, is repealed and the following substituted therefor:

(A) all capital gains dividends paid by the corporation in the period commencing sixty days after the commencement of the fiscal year and ending sixty days after the end of the fiscal year, and

s. 109 (5) (a),  
re-enacted

- (2) Clause *a* of subsection 5 of the said section 109, as enacted by the Statutes of Ontario, 1973, chapter 42, section 8, is repealed and the following substituted therefor:

(a) "capital gains dividend account" of a mutual fund corporation at any time means the amount, if any, by which,

- (i) its capital gains, for all fiscal years commencing more than sixty days before that time from dispositions of property after 1971 and before that time while it was a mutual fund corporation,

exceeds

(ii) the aggregate of,

(A) its capital losses, for all fiscal years commencing more than sixty days before that time, from dispositions of property after 1971 and before that time while it was a mutual fund corporation,

(B) all capital gains dividends that became payable by the corporation before that time and more than sixty days after the end of the last fiscal year ending more than sixty days before that time, and



- (C) all amounts each of which is an amount in respect of any fiscal year of the corporation ending more than sixty days before that time throughout which it was a mutual fund corporation, equal to 16 $\frac{1}{2}$  times its capital gains refund for that year.

**30.**—(1) Subclause ii of clause *a* of subsection 3 of section 110 <sup>s. 110 (3) (a) (ii),</sup> of the said Act is repealed and the following sub-<sup>re-enacted</sup>stituted therefor:

- (ii) the corporation's surplus at that time, determined in prescribed manner, for such of the fiscal years in the period commencing with the 1950 fiscal year and ending with the 1971 fiscal year as were fiscal years throughout which the corporation was not a non-resident-owned investment corporation; and

(2) The said section 110 is amended by adding thereto the <sup>s. 110,</sup> following subsection: <sup>amended</sup>

(4a) Where a dividend has become payable at the same <sup>Simul-</sup> time on more than one class of shares of the capital stock <sup>taneous</sup> of a non-resident-owned investment corporation, for the <sup>dividends</sup> purposes of subsection 4, the dividend on any such class of shares shall be deemed to have become payable at a different time than the dividend on the other class or classes of shares and such dividends shall be deemed to have become payable in the order designated in prescribed manner by the corporation or, in the event that the corporation does not so designate any such order, in the order determined for purposes of the *Income Tax Act* (Canada).

1970-71, c. 63  
(Can.)

**31.** Section 111 of the said Act is amended by striking out <sup>s. 111,</sup> "section 77 and section 81" in the sixth line and inserting <sup>amended</sup> in lieu thereof "section 77, section 81 and subsection 2 of section 82".

**32.**—(1) Subsection 1 of section 167 of the said Act is amended <sup>s. 167 (1),</sup> by striking out "Act" in the second line and inserting <sup>amended</sup> in lieu thereof "or any predecessor Act in respect of any fiscal year of a corporation that commences after the 31st day of December, 1961" and by striking out "(except prescribed property)" in the fourth and fifth lines.

s. 167 (2),  
amended

- (2) Subsection 2 of the said section 167 is amended by striking out "Act" in the second line and inserting in lieu thereof "or any predecessor Act in respect of a fiscal year that commences after the 31st day of December, 1961".

s. 167,  
amended

- (3) The said section 167 is amended by adding thereto the following subsection:

Waiver of  
lien

- (3) Upon such conditions as he may impose, the Minister may abandon, postpone, release or waive with respect to all or any part of the property of a corporation any lien and charge for taxes, interest, penalties, costs and other amounts imposed under this or any predecessor Act.

Commence-  
ment

- 33.**—(1) This Act, except sections 1 to 11, 13 to 19, 21 to 24, and 26 to 32, comes into force on the day it receives Royal Assent.

Idem

- (2) Sections 2 and 3, subsection 1 of section 4, subsection 1 of section 5, sections 6 to 11, sections 13, 14, 17 and 19, subsection 1 of section 22, section 23, subsections 1, 2, 3, 4, 5 and 8 of section 24, sections 26 to 28, and sections 30, 31 and 32, shall be deemed to have come into force on the 1st day of January, 1972 and apply to corporations in respect of all fiscal years that end during or after 1972.

Idem

- (3) Subsections 1, 2, 3 and 4 of section 21 shall be deemed to have come into force on the 1st day of January, 1972 and apply with respect to dispositions made on or after that date.

Idem

- (4) Subsection 5 of section 21 shall be deemed to have come into force on the 1st day of January, 1972 and applies with respect to distributions of partnership property received as consideration for dispositions made after 1971.

Idem

- (5) Section 1 shall be deemed to have come into force on the 9th day of May, 1972 and applies to corporations in respect of all fiscal years that end during or after 1972, but does not apply in respect of any acquisition or disposition made before the 9th day of May, 1972 of,

(a) an oil sands deposit;

(b) an oil shale deposit; or

(c) a mineral deposit in respect of which the principal mineral extracted is halite that is extracted by operating a brine well.

- (6) Subsection 3 of section 4, subsection 2 of section 5, and <sup>Idem</sup> sections 16 and 18 shall be deemed to have come into force on the 1st day of January, 1973 and apply to corporations in respect of all fiscal years that end during or after 1973.
- (7) Subsections 6 and 7 of section 24 shall be deemed to have <sup>Idem</sup> come into force on the 31st day of January, 1973 and apply with respect to dispositions of capital property made after that date.
- (8) Subsection 2 of section 4 shall be deemed to have come <sup>Idem</sup> into force on the 19th day of February, 1973 and applies to corporations in respect of all fiscal years that commence after that date.
- (9) Section 15 shall be deemed to have come into force on <sup>Idem</sup> the 19th day of February, 1973 and applies with respect to any payment of an annuity where such payments are received after that date.
- (10) Subsections 2 and 3 of section 22 shall be deemed <sup>Idem</sup> to have come into force on the 29th day of May, 1973 and apply with respect to amalgamations that take place after that date.
- (11) Section 29 shall be deemed to have come into force on <sup>Idem</sup> the 27th day of July, 1973 and applies to corporations in respect of all fiscal years that commence after that date.
- (12) Unless the context otherwise requires, the same meaning <sup>Interpre-</sup> shall be given to words and expressions used in this <sup>tation</sup> section as they bear in *The Corporations Tax Act, 1972*, <sup>1972, c. 143</sup> as amended by this Act and by *The Corporations Tax* <sup>1973, c. 42</sup> *Amendment Act, 1973*.

**34.** This Act may be cited as *The Corporations Tax Amendment* <sup>Short title</sup> *Act, 1973 (No. 2)*.



