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c 73 Corporations Tax Act

Ontario

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CHAPTER 73

The Corporations Tax Act

PART I

INTERPRETATION

1.—(1) In this Act,

1. "amount" means money, rights or things expressed in terms of the amount of money or the value in terms of money of the right or thing;

2. "annuity payment" includes an amount payable on a periodic basis whether payable at intervals longer or shorter than a year and whether payable under a contract, will or trust or otherwise;

3. "assessment" includes a re-assessment;

4. "bank" means a corporation or joint stock company wherever incorporated for the purpose of doing a banking business or the business of a savings bank that transacts such business in Ontario, whether the head office is situate in Ontario or elsewhere;

5. "business" includes a profession, calling, trade, manufacture or undertaking of any kind whatsoever and includes an adventure or concern in the nature of trade but does not include office or employment;

6. "common share" is a share the holder of which is not precluded upon the reduction or redemption of the capital stock from participating in the assets of the corporation beyond the amount paid up thereon plus a fixed premium and a defined rate of dividend;

7. "Comptroller" means the Comptroller of Revenue;

8. "corporation" means a corporation however or wherever incorporated and, where a corporation or the whole or any part of the property thereof is placed in the hands or under the control of an agent, assignee, trustee, liquidator, receiver or other official,
includes such agent, assignee, trustee, liquidator, receiver or other official, but does not include a corporation incorporated without share capital;

9. "dividend" does not include a stock dividend;

10. "employed" means performing the duties of an office or employment;

11. "employee" includes officer;

12. "employer", in relation to an officer, means the person from whom the officer receives his remuneration;

13. "employment" means the position of an individual in the service of some other person, including Her Majesty or a foreign state or sovereign, and "servant" or "employee" means a person holding such a position;

14. "exempt income" means money, rights or things received or acquired by a corporation in such circumstances that they are, by reason of any provision in Part III, not included in computing its income, and includes any amount that is deductible under subsection 1 of section 40;

15. "farming" includes tillage of the soil, live stock raising or exhibiting, maintaining of horses for racing, raising of poultry, fur farming, dairy farming, fruit growing and the keeping of bees, but does not include an office or employment under a person engaged in the business of farming;

16. "fiscal year" means the period for which the accounts of the business of a corporation are ordinarily made up and accepted for purposes of assessment under this Act, and, in the absence of an established practice, the fiscal year is that adopted by a corporation, but no fiscal year may exceed fifty-three weeks and any change in a usual and accepted fiscal year shall be made for the purposes of this Act only with the concurrence of or in accordance with the direction of the Treasurer;

17. "fishing" includes fishing for or catching shell fish, crustaceans and marine animals, but does not include an office or employment under a person engaged in the business of fishing;
18. "foreign business corporation" means a corporation defined by section 46 to be a foreign business corporation;

19. "gross revenue" means the aggregate of all amounts received or, depending upon the method regularly followed by the corporation in computing its profit, receivable in the fiscal year otherwise than as or on account of capital;

20. "income bond" or "income debenture" means respectively a bond or debenture in respect of which interest or dividends are payable only when the debtor corporation has made a profit before taking into account the interest or dividend obligation on such bond or debenture;

21. "insurance corporation" includes life, fire, ocean or inland marine, inland transportation, accident, plate-glass, automobile, steam-boiler and burglary insurance companies, guaranty, surety and casualty companies and underwriters and syndicates of underwriters operating on the plan known as Lloyds, that transact business or undertake risks on lives or property in Ontario or that are licensed under *The Insurance Act*, but does not include mutual insurance companies insuring agricultural and other non-hazardous risks on the premium note plan the sole business of which is carried on in Ontario, fraternal societies and mutual benefit societies as defined in *The Insurance Act*, and pension fund and employees' mutual benefit societies incorporated under or subject to *The Corporations Act*;

22. "inventory" means a description of property the cost or value of which is relevant in computing the income of a corporation from a business for a fiscal year;

23. "jurisdiction" means a province or territory of Canada or a state outside Canada having sovereign power;

24. "loss" means a loss computed by applying the provisions of this Act respecting the computation of income from a business *mutatis mutandis*, but not including in the computation a dividend or part of a dividend the amount of which would be deductible under subsection 1 of section 40 in computing taxable
income, minus any amount by which a loss operated to reduce the income of a corporation from other sources for purpose of tax on income for the fiscal year in which it was sustained;

25. "non-resident" means not resident in Canada;

26. "non-resident owned investment corporation" means a corporation defined by section 45 to be a non-resident owned investment corporation;

27. "permanent establishment" has the meaning given to that expression by section 2;

28. "personal corporation" means a corporation defined by section 42 to be a personal corporation;

29. "prescribed", in the case of a form or the information to be given on a form, means prescribed by order of the Treasurer and, in any other case, means prescribed by the regulations;

30. "property" means property of any kind whatsoever whether real or personal or corporeal or incorporeal, and includes every interest or profit, legal or equitable, present or future, vested or contingent in, arising out of or incident to property;

31. "railway" includes a railway and part of a railway operated in whole or in part by steam, electricity or other motive power, constructed and operated on highways or on land owned by the corporation that owns or operates it, or partly on highways and partly on such land, but does not include a street railway constructed or operated in whole or in part upon or along a highway under or by virtue of an agreement with or a by-law of a city or town;

32. "registered pension fund or plan" means an employees' superannuation or pension fund or plan accepted by the Treasurer for registration for the purposes of this Act in respect of its constitution and operations for the fiscal year under consideration;

33. "regulations" means the regulations made under this Act;

34. "share" means a share of capital stock of a corporation;
35. "shareholder" includes a member or other person entitled to receive payment of a dividend;

36. "a shareholder's portion of undistributed income of a corporation" has the meaning given to that expression by subsection 2 of section 55;

37. "subsidiary controlled corporation" means a corporation more than 50 per cent of the issued share capital of which, having full voting rights under all circumstances, belongs to the corporation to which it is subsidiary;

38. "subsidiary wholly-owned corporation" means a corporation all the issued share capital of which, except directors' qualifying shares, belong to the corporation to which it is subsidiary;

39. "tax payable" by a corporation under sections 3 to 13 means the tax payable by the corporation as fixed by assessment or re-assessment subject to variation on objection or appeal, if any, in accordance with sections 79 to 85, as the case may be;

40. "taxable income" has the meaning given to that expression by section 14;

41. "taxation year" means that fiscal year in relation to which the amount of a tax under this Act is being calculated when the expression is used to distinguish it from another fiscal year;

42. "Treasurer" means the Treasurer of Ontario;

43. "undistributed income on hand" has the meaning given to that expression by section 55. 1957, c. 17, s. 1 (1); 1960, c. 14, s. 1.

(2) For the purposes of this Act,

(a) related persons shall be deemed not to deal with each other at arm's length; and

(b) it is a question of fact whether persons not related to each other were at a particular time dealing with each other at arm's length. 1957, c. 17, s. 1 (2).
Related persons (3) For the purposes of subsections 2 and 5 and this subsection, "related persons", or persons related to each other, are,

(a) individuals connected by blood relationship, marriage or adoption;

(b) a corporation, and,

(i) a person who controls the corporation, if it is controlled by one person,

(ii) a person who is a member of a related group that controls the corporation, or

(iii) any person related to a person described by subclause i or ii;

(c) any two corporations,

(i) if they are controlled by the same person or group of persons,

(ii) if each of the corporations is controlled by one person and the person who controls one of the corporations is related to the person who controls the other corporation,

(iii) if one of the corporations is controlled by one person and that person is related to any member of a related group that controls the other corporation,

(iv) if one of the corporations is controlled by one person and that person is related to each member of an unrelated group that controls the other corporation,

(v) if any member of a related group that controls one of the corporations is related to each member of an unrelated group that controls the other corporation, or

(vi) if each member of an unrelated group that controls one of the corporations is related to at least one member of an unrelated group that controls the other corporation. 1957, c. 17, s. 1 (3); 1958, c. 16, s. 1.

Corporations related to each other (4) Where two corporations are related to the same corporation within the meaning of subsection 3, they shall, for the purposes of subsections 2 and 3, be deemed to be related to each other.
(5) In subsections 3 and 6 and this subsection,

(a) "related group" means a group of persons each member of which is related to every other member of the group; and

(b) "unrelated group" means a group of persons that is not a related group.

(6) For the purpose of subsection 3,

(a) where a related group is in a position to control a corporation, it shall be deemed to be a related group that controls the corporation whether or not it is part of a larger group by whom the corporation is in fact controlled; and

(b) a person who has a right under a contract, in equity or otherwise, either immediately or in the future or either absolutely or contingently, to, or to acquire, shares in a corporation, or to control the voting rights of shares in a corporation, shall be deemed to have had the same position in relation to the control of the corporation as if he owned the shares.

(7) For the purpose of clause a of subsection 3,

(a) persons are connected by blood relationship if one is the child or other descendant of the other or one is the brother or sister of the other;

(b) persons are connected by marriage if one is married to the other or to a person who is so connected by blood relationship to the other; and

(c) persons are connected by adoption if one has been adopted, either legally or in fact, as the child of the other or as the child of a person who is so connected by blood relationship, other than as a brother or sister, to the other. 1957, c. 17, s. 1 (4-7).

2.—(1) In this Act, "permanent establishment" includes branches, mines, oil wells, farms, timberlands, factories, workshops, warehouses, offices, agencies, and other fixed places of business. 1957, c. 17, s. 2 (1); 1958, c. 16, s. 2 (1).

(2) Where a corporation carries on business through an employee or agent who has general authority to contract for the corporation or who has a stock of merchandise owned by
the corporation from which he regularly fills orders that he receives, such employee or agent shall be deemed to operate a permanent establishment of the corporation. 1958, c. 16, s. 2 (2).

(3) The fact that a corporation has business dealings through a commission agent, broker or other independent agent shall not of itself be deemed to mean that the corporation has a permanent establishment.

(4) The fact that a corporation has a subsidiary controlled corporation in a place or a subsidiary controlled corporation engaged in a trade or business in a place shall not of itself be deemed to mean that the first-mentioned corporation is operating a permanent establishment in that place.

(5) Notwithstanding subsection 3, an insurance corporation is deemed to have a permanent establishment in each jurisdiction in which the corporation is registered to do business. 1957, c. 17, s. 2 (3-5).

(6) The fact that a corporation maintains an office solely for the purchase of merchandise shall not of itself be deemed to mean that the corporation has a permanent establishment in that office. 1957, c. 17, s. 2 (6); 1958, c. 16, s. 2 (3).

(7) Where a corporation, otherwise having a permanent establishment in Canada, owns land in a province, such land is a permanent establishment. 1958, c. 16, s. 2 (4).

(8) The fact that a non-resident corporation in a fiscal year produced, grew, mined, created, manufactured, fabricated, improved, packed, preserved or constructed in whole or in part anything in Canada, whether or not the corporation exported that thing without selling it prior to exportation, shall of itself, for the purposes of this Act, be deemed to mean that the corporation maintained a permanent establishment at any place where the corporation did any of those things in the fiscal year.

(9) The use of substantial machinery or equipment in a particular place at any time in a fiscal year of a corporation constitutes a permanent establishment of such corporation in that place for the fiscal year. 1957, c. 17, s. 2 (8, 9).

(10) A corporation has a permanent establishment in the place designated in its charter or by-laws as being its head office. 1960, c. 14, s. 2.
3.—(1) Every corporation that has a permanent establishment in Ontario shall for every fiscal year of the corporation pay to Her Majesty for the uses of Ontario the taxes imposed by this Act at the time and in the manner provided in this Act.

(2) For the purposes of this Act, where a fiscal year is referred to by a reference to a calendar year, the reference is to the fiscal year or years coinciding with, or ending in, that year.

(3) Where a corporation ceases to have a permanent establishment in Ontario during a fiscal year or the existence of a corporation is terminated during a fiscal year, it shall, in respect of such incomplete fiscal year, pay the taxes imposed by this Act in the same manner as though such fiscal year ended on the date on which it ceased to have a permanent establishment in Ontario or upon which its existence was terminated, as the case may be. 1957, c. 17, s. 3.

4.—(1) Except as provided otherwise in this Act, every corporation that has a permanent establishment in Ontario shall, for every fiscal year of the corporation, pay a tax of 11 per cent calculated on its taxable income.

(2) There may be deducted from the tax otherwise payable by a corporation under this section for a fiscal year an amount equal to 11 per cent of that portion of its taxable income which is earned in the fiscal year in each jurisdiction other than Ontario.

(3) Where in a fiscal year a corporation has no permanent establishment outside Ontario, all of its taxable income for the year shall be deemed to have been earned in Ontario.

(4) Where in a fiscal year a corporation had no permanent establishment in Ontario, all of its taxable income for the fiscal year shall be deemed to have been earned in jurisdictions outside Ontario.

(5) Except as otherwise provided, where in a fiscal year a corporation had a permanent establishment in Ontario and a permanent establishment in any other jurisdiction, the
amount of its taxable income that shall be deemed to have been earned in the fiscal year in that jurisdiction is one-half the aggregate of,

(a) that proportion of its taxable income for the fiscal year that the gross revenue for the fiscal year attributable to the permanent establishment in that jurisdiction is of its total gross revenue for the fiscal year; and

(b) that proportion of its taxable income for the fiscal year that the aggregate of the salaries and wages paid in the fiscal year by the corporation to the employees of the permanent establishments in that jurisdiction is of the aggregate of all salaries and wages paid in the fiscal year by the corporation. 1957, c. 17, s. 4 (1-5).

(6) For the purpose of subsection 5 of this section and subsection 6 of section 5,

(a) except as provided in clause d, where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in a jurisdiction in which the corporation making the sale has a permanent establishment, the gross revenue derived therefrom is attributable to that permanent establishment;

(b) except as provided in clauses c, d and e, where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in a jurisdiction in which the corporation making the sale has no permanent establishment, the gross revenue derived therefrom is attributable to the permanent establishment to which the person negotiating the sale may reasonably be regarded as being attached;

(c) except as provided in clause e, where the destination of a shipment of merchandise to a customer to whom the merchandise is sold is in a jurisdiction outside Canada in which the corporation making the sale has no permanent establishment,

(i) if the merchandise was produced or manufactured, or produced and manufactured, entirely in one province or territory of Canada by the corporation, the gross revenue derived therefrom is attributable to its permanent establishment in that province or territory, or
(ii) if the merchandise was produced or manufactured, or produced and manufactured, partly in a province or territory of Canada and partly in another place by the corporation, the gross revenue derived therefrom that is attributable to its permanent establishment in that province or territory is that proportion thereof that the salaries and wages paid in the fiscal year to employees of the permanent establishment in that province or territory where the merchandise was partly produced or manufactured, or partly produced and manufactured, is of the aggregate of the salaries and wages paid in the fiscal year to employees of the permanent establishments where the merchandise was produced or manufactured, or produced and manufactured;

(d) for the purposes of clauses (a) and (b) and except as provided in clause (e), where a customer to whom merchandise is sold instructs that shipment thereof be made to another person, the destination of the shipment of the merchandise shall be deemed to be in the jurisdiction in which the permanent establishment of the customer negotiating the purchase of the merchandise is situated;

(e) for the purpose of clause (c), where a customer to whom merchandise is sold instructs that shipment be made to another person and the permanent establishment of the customer negotiating the purchase of the merchandise is situated in a jurisdiction outside Canada in which the corporation making the sale has no permanent establishment,

(i) if the merchandise was produced or manufactured, or produced and manufactured, entirely in one province or territory of Canada by the corporation, the gross revenue derived therefrom is attributable to its permanent establishment in that province or territory, or

(ii) if the merchandise was produced or manufactured, or produced and manufactured, partly in a province or territory of Canada and partly in another place by the corporation, the gross revenue derived therefrom that is attributable to its permanent establishment
in that province or territory is that proportion thereof that the salaries and wages paid in the fiscal year to employees of the permanent establishment in that province or territory where the merchandise was partly produced or manufactured, or partly produced and manufactured, is of the aggregate of the salaries and wages paid in the fiscal year to employees of the permanent establishments where the merchandise was produced or manufactured, or produced and manufactured;

(f) where services are performed by a corporation in a jurisdiction in which the corporation has a permanent establishment, the gross revenue derived therefrom is attributable to that permanent establishment;

(g) where services are performed by a corporation in a jurisdiction in which the corporation has no permanent establishment, the gross revenue derived therefrom is attributable to the permanent establishment to which the person negotiating the contract may reasonably be regarded as being attached;

(h) where standing timber or the right to cut standing timber is sold, the gross revenue derived therefrom is attributable to the permanent establishment that includes the timberlands on which the timber is standing; and

(i) where land is a permanent establishment, the gross revenue derived therefrom is attributable to that permanent establishment. 1958, c. 16, s. 3 (1), part; 1959, c. 20, s. 1 (1).

(7) For the purposes of subsections 5, 13, 28, 29, 30 and 31 of this section and the corresponding subsections of section 5, where a corporation pays a fee to a person under an agreement pursuant to which the person or employees of that person perform services for the corporation that would normally be performed by employees of the corporation, the fee so paid shall be deemed to be salary paid in the fiscal year by the corporation and that part of the fee that may reasonably be regarded as payment in respect of services rendered at a particular permanent establishment of the corporation shall be deemed to be salary paid to an employee of that permanent establishment.
(8) For the purpose of subsection 7, a fee does not include an exception a commission paid to a person who is not an employee of the corporation. 1958, c. 16, s. 3 (1), part.

(9) For the purpose of subsection 5 of this section and subsection 6 of section 5, interest on bonds, debentures and mortgages, dividends on shares of capital stock and rentals and royalties for property that is not used in the regular business operations of a corporation shall be excluded when calculating the gross revenue of the corporation or any part thereof.

(10) Notwithstanding subsection 5, the proportion of the insurance income of an insurance corporation that shall be deemed to have been earned in a fiscal year in a jurisdiction outside Ontario is that proportion of its taxable income for the fiscal year that the aggregate of,

(a) its net premiums for the year in respect of insurance on properties situated in that jurisdiction; and

(b) its net premiums for the year in respect of insurance, other than on property, from contracts from persons resident in that jurisdiction,

is of the total net premiums for the fiscal year of the corporation.

(11) In subsection 10, "net premiums" of a corporation for a fiscal year means the aggregate of the gross premiums received by the corporation in the fiscal year, other than consideration received for annuities, minus the aggregate for the fiscal year of,

(a) premiums paid for re-insurance;

(b) dividends or rebates paid or credited to policyholders; and

(c) rebates or returned premiums paid in respect of the cancellation of policies,

by the corporation.

(12) In subsection 10, "total net premiums" of a corporation for a fiscal year means the aggregate of,

(a) its net premium income in respect of insurance on property situate in each province or territory of Canada and each country other than Canada in
which the corporation has a permanent establishment; and

(b) its net premium income in respect of insurance other than on property, from contracts with persons resident in each province or territory of Canada and each country other than Canada in which the corporation has a permanent establishment.

(13) Notwithstanding subsection 5, the amount of taxable income of a bank that shall be deemed to have been earned in a fiscal year in a jurisdiction outside Ontario is one-third of the aggregate of,

(a) that proportion of its taxable income for the fiscal year that the aggregate of the salaries and wages paid in the year by the bank to the personnel of its permanent establishments in that jurisdiction is of the aggregate of all salaries and wages paid in the fiscal year by the bank; and

(b) twice that proportion of its taxable income for the fiscal year that the aggregate amount of loans and deposits of its permanent establishments in that jurisdiction for the fiscal year is of the aggregate of all loans and deposits of the bank for the fiscal year.

(14) For the purpose of subsection 13, the amount of loans for a fiscal year is one-twelfth of the aggregate of the amounts outstanding on the loans made by the bank at the close of business on the last day of each month in the fiscal year.

(15) For the purpose of subsection 13, the amount of deposits for a fiscal year is one-twelfth of the aggregate of the amounts on deposit with the bank at the close of business on the last day of each month in the fiscal year.

(16) For the purpose of subsections 14 and 15, loans and deposits do not include bonds, stocks, debentures, items in transit and deposits in favour of Her Majesty in right of Canada.

(17) Notwithstanding subsection 5, the amount of taxable income of a trust and loan corporation or a trust corporation or a loan corporation that shall be deemed to have been earned in a fiscal year in a jurisdiction outside Ontario is that proportion of its taxable income for the fiscal year that the gross revenue of its permanent establishments in that jurisdiction for the fiscal year is of the total gross revenue for the fiscal year of the corporation.
(18) For the purpose of subsection 17, the “gross revenue interpreted of its permanent establishments in that jurisdiction” for a fiscal year means the aggregate of the gross revenue of the corporation for the fiscal year arising from,

(a) loans secured by real property situated in that jurisdiction;

(b) loans not secured by real property to persons residing in that jurisdiction;

(c) loans administered by the permanent establishments of the corporation in that jurisdiction made to persons residing in another jurisdiction in which the corporation has no permanent establishment but not including loans secured by real property situated in another jurisdiction in which the corporation has a permanent establishment; and

(d) business conducted at the permanent establishments of the corporation in that jurisdiction, other than revenue in respect of loans. 1957, c. 17, s. 4 (7-16).

(19) Notwithstanding subsection 5, the amount of taxable income of a railway corporation that shall be deemed to have been earned in a fiscal year in a province or territory of Canada outside Ontario is, unless subsection 20 applies, one-half the aggregate of,

(a) that proportion of its taxable income for the fiscal year that its equated track miles in that province or territory of Canada is of its equated track miles in Canada; and

(b) that proportion of its taxable income for the fiscal year that its gross ton-miles for the fiscal year in that province or territory of Canada is of its gross ton-miles for the fiscal year in Canada.

(20) Where a corporation to which subsection 19 would apply if this subsection did not apply thereto operates an airline service, operate ships, operates hotels or receives substantial revenues that are petroleum or natural gas royalties, or does a combination of two or more of those things, the amount of its taxable income that shall be deemed to have been earned in a fiscal year in a province or territory of Canada outside Ontario is the aggregate of the amounts computed,

(a) by applying the provisions of subsection 25 to that part of its taxable income for the fiscal year that
might reasonably be considered as having arisen from the operation of the airline service;

(b) by applying the provisions of subsection 31 to that part of its taxable income for the fiscal year that might reasonably be considered as having arisen from the operation of the ships;

(c) by applying the provisions of subsection 5 to that part of its taxable income for the fiscal year that might reasonably be considered to have arisen from the operation of the hotels;

(d) by applying the provisions of subsection 5 to that part of its taxable income for the fiscal year that might reasonably be considered to have arisen from the ownership by the corporation of petroleum or natural gas rights or any interest therein; and

(e) by applying the provisions of subsection 19 to the remaining portion of its taxable income for the fiscal year.

(21) For the purpose of making an allocation required by clause (b) of subsection 20, a reference in subsection 31 to "salaries and wages paid in the fiscal year by the corporation to employees" shall be read as a reference to salaries and wages paid by the corporation to employees employed in the operation of permanent establishments, other than ships, maintained for the shipping business.

(22) For the purpose of making an allocation required by clause (c) of subsection 20,

(a) a reference in subsection 5 to "gross revenue for the fiscal year attributable to the permanent establishment in that jurisdiction" shall be read as a reference to the gross revenue of the corporation from operating hotels in a province or territory of Canada outside Ontario;

(b) a reference in subsection 5 to "total gross revenue for the fiscal year" shall be read as a reference to the total gross revenue of the corporation for the fiscal year from operating hotels; and

(c) a reference in subsection 5 to "salaries and wages paid in the fiscal year by the corporation to the employees" shall be read as a reference to salaries and wages paid to employees engaged in the operations of its hotels.
(23) Notwithstanding subsection 9, for the purpose of making an allocation required by clause \(d\) of subsection 20,

(a) a reference in subsection 5 to “gross revenue for the fiscal year attributable to the permanent establishment in that jurisdiction” shall be read as a reference to the gross revenue of the corporation from the ownership by the corporation of petroleum and natural gas rights in lands in a province or territory of Canada outside Ontario and any interest therein;

(b) a reference in subsection 5 to “total gross revenue for the fiscal year” shall be read as a reference to the total gross revenue of the corporation from ownership by the corporation of petroleum and natural gas rights and any interest therein; and

(c) a reference in subsection 5 to “salaries and wages paid in the fiscal year by the corporation to employees” shall be read as a reference to salaries and wages paid to employees employed in connection with the corporation’s petroleum and natural gas rights and interests therein. 1959, c. 20, s. 1 (2).

(24) For the purpose of subsection 19, “the equated track miles” in a specified place means the aggregate of,

(a) the number of miles of first main track;

(b) 80 per cent of the number of miles of other main tracks; and

(c) 50 per cent of the number of miles of yard tracks and sidings,

in that place.

(25) Notwithstanding subsection 5, the amount of taxable income of an airline corporation that shall be deemed to have been earned in a fiscal year in a province or territory of Canada outside Ontario is an amount that is equal to one-quarter of the aggregate of,

(a) that proportion of its taxable income for the fiscal year that the capital cost of all fixed assets of the corporation, except aircraft, in that province or territory of Canada at the end of the fiscal year is of the capital cost of all its fixed assets, except aircraft, in Canada at the end of the fiscal year; and
Interpretation

(26) For the purpose of subsection 25, "revenue plane miles flown" shall be weighted according to payload capacity of the aircraft operated.

Idem

(27) For the purpose of subsection 26, "payload capacity" of an aircraft means,

(a) for a type of aircraft listed in the regulations, the number of pounds shown therein for that aircraft; and

(b) for a type of aircraft not listed in the regulations, the average maximum commercial load expressed in pounds of the aircraft with fuel and oil tanks half full as determined by the Treasurer.

Grain elevator operators, allocation of taxable income

(28) Notwithstanding subsection 5, the amount of taxable income of a corporation the chief business of which is the operation of grain elevators that shall be deemed to have been earned in a fiscal year in a jurisdiction outside Ontario is one-half the aggregate of,

(a) that proportion of its taxable income for the fiscal year that the number of bushels of grain received in the fiscal year in the elevators operated by the corporation in that jurisdiction is of the total number of bushels of grain received in the fiscal year in all the elevators operated by the corporation; and

(b) that proportion of its taxable income for the fiscal year that the aggregate of salaries and wages paid in the fiscal year by the corporation to personnel of the permanent establishments in that jurisdiction is of the aggregate of all salaries and wages paid in the fiscal year by the corporation.

Bus and truck operators, allocation of taxable income

(29) Notwithstanding subsection 5, the amount of taxable income of a corporation the chief business of which is the transportation of goods and passengers, other than by the operation of a railway, steamship or airline service, that shall
be deemed to have been earned in a fiscal year in a jurisdiction outside Ontario is one-half of the aggregate of,

(a) that proportion of its taxable income for the fiscal year that the number of miles travelled by its vehicles in that jurisdiction in the fiscal year is of the total number of miles travelled by its vehicles in the fiscal year; and

(b) that proportion of its taxable income for the fiscal year that the aggregate of salaries and wages paid in the fiscal year by the corporation to personnel of the permanent establishments in that jurisdiction is of the aggregate of all salaries and wages paid in the fiscal year by the corporation.

(30) Notwithstanding subsection 5, the amount of taxable Pipeline income of a corporation the chief business of which is the operation of a pipeline for oil, gas or water that shall be deemed to have been earned in a fiscal year in a province or territory of Canada outside Ontario is one-half of the aggregate of,

(a) that proportion of its taxable income for the fiscal year that the number of miles of pipe of the corporation in that province or territory of Canada is of the number of miles of pipe of the corporation in Canada; and

(b) that proportion of its taxable income for the fiscal year that the aggregate of the salaries and wages paid in the fiscal year by the corporation to personnel of the permanent establishments in that province or territory of Canada is of the aggregate of all salaries and wages paid in all its permanent establishments in Canada in the fiscal year by the corporation. 1957, c. 17, s. 4 (19-25).

(31) Notwithstanding subsection 5, the amount of taxable Navigation income of a corporation, the chief business of which is the operation of ships, that shall be deemed to have been earned in a fiscal year in a province or territory of Canada outside Ontario is the aggregate of,

(a) that portion of its allocable income for the fiscal year that the port-call-tonnage in that province or territory of Canada is of the port-call-tonnage in Canada; and
(b) if its taxable income for the fiscal year exceeds its allocable income for the fiscal year, that portion of the excess that the aggregate of the salaries and wages paid in the fiscal year by the corporation to employees of any permanent establishment, other than a ship, in that province or territory of Canada, is of the aggregate of salaries and wages paid in the fiscal year by the corporation to employees of permanent establishments, other than ships, in Canada.

Interpretation

(32) For the purposes of subsection 31,

(a) "allocable income for the fiscal year" means that portion of the taxable income of the corporation for the fiscal year that the port-call-tonnage in Canada is of the total port-call-tonnage;

(b) "port-call-tonnage in Canada" means the aggregate of the products obtained by multiplying, for each ship operated by the corporation, the number of calls made in the fiscal year by that ship at ports in Canada by the number of tons of the registered net tonnage of that ship;

(c) "port-call-tonnage in that province or territory of Canada" means the aggregate of the products obtained by multiplying, for each ship operated by the corporation, the number of calls made in the fiscal year by that ship at ports in that province or territory of Canada by the number of tons of registered net tonnage of that ship; and

(d) "total port-call-tonnage" means the aggregate of the products obtained by multiplying, for each ship operated by the corporation, the number of calls made in the fiscal year by that ship at ports anywhere by the number of tons of the registered net tonnage of that ship. 1958, c. 16, s. 3 (2).

(33) Where part of the business of a corporation for a fiscal year, other than a corporation described in subsection 10, 13, 17, 19, 25, 28, 29, 30 or 31, consisted of operations normally conducted by a corporation described in one of those subsections, the corporation and the Treasurer may agree to determine the amount of taxable income deemed to have been earned in the fiscal year in a jurisdiction outside Ontario as the aggregate of the amounts computed,

(a) by applying the provisions of such of those subsections as would have been applicable if it had been
a corporation described therein to the portion of its taxable income for the fiscal year that might reasonably be considered to have arisen from that part of the business; and

(b) by applying the provisions of subsection 5 to the remaining portion of its taxable income for the fiscal year. 1957, c. 17, s. 4 (27).

(34) Where a corporation that is incorporated under the laws of a jurisdiction outside Canada and that is not a non-resident owned investment corporation, a foreign business corporation or a corporation to which subsection 25 or 31 applies has a permanent establishment in Ontario, this section applies as though,

(a) the corporation had no permanent establishment outside Canada;

(b) the portion of its taxable income that is subjected to taxation under section 31 of the Income Tax Act (Canada) were its total taxable income; and

(c) such total taxable income were allocated among the provinces and territories of Canada in accordance with subsections 5 to 24, subsections 28 to 30 and subsection 33, or such of those subsections as are applicable, on the assumption that the permanent establishments of the corporation in the provinces and territories of Canada are its only permanent establishments and that the amounts and proportions referred to in such of those subsections as are applicable relate exclusively to the activity of the corporation at those permanent establishments;

provided that, where a corporation to which this subsection applies ships merchandise to one or other of its permanent establishments outside Canada,

(d) such shipment shall be deemed to be a shipment of merchandise to a customer to whom the merchandise is sold; and

(e) its gross revenue in Canada subject to allocation under subsection 6 shall be the gross revenue of its permanent establishments in Canada including therein such amount as gross revenue from such shipment as is used under section 31 of the Income Tax Act (Canada) in determining the amount of
Foreign tax credits

(35) Where a corporation has a permanent establishment in Ontario and has received income in the fiscal year in the form of dividends, interest, rents or royalties, which were derived from sources within a jurisdiction outside Canada in which the corporation has no permanent establishment and where such jurisdiction has imposed a tax on such income and where the corporation is entitled to a deduction from tax (hereinafter in this subsection referred to as “foreign tax credit”) under section 41 of the *Income Tax Act* (Canada) with respect to the tax paid on such income to such jurisdiction, the corporation may deduct from the tax otherwise payable under this section an amount equal to the lesser of,

(a) 9 per cent of the portion of such income that is subject to tax under subsection 1 of this section after the deductions provided by subsection 2 of this section have been made; or

(b) the proportion of the deficiency between the foreign tax credit that would be allowed if no provincial tax abatement under section 40 of the *Income Tax Act* (Canada) were applicable and the foreign tax credit that would be allowed when the provincial tax abatement provided by section 40 of the *Income Tax Act* (Canada) has been applied which,

(i) the amount of the provincial tax abatement allowed under section 40 of the *Income Tax Act* (Canada) with respect to income of the corporation earned in Ontario measured in accordance with subsection 2 thereof,

bears to,

(ii) the amount of the provincial tax abatement allowed under section 40 of the *Income Tax Act* (Canada) with respect to all income of the corporation subject to such abatement. 1958, c. 16, s. 3 (3), part.

Special provincial abatement

(36) Where a province other than Ontario imposes a tax of general application on corporations as a percentage of net income and allows an abatement of such tax on a portion of net income deemed to have been earned in another jurisdiction
and such portion is different from the portion that would apply if it were measured pursuant to subsections 3 to 35 and where a corporation is taxable on net income under the taxing Act of that province and on taxable income under this Act, the deduction provided by subsection 2,

(a) shall be reduced by the amount by which the amount of tax, if such tax were calculated at the rate of 10 per cent for the full fiscal year on the taxable income as determined under this Act, that would remain to be paid to that province after abatement of portions of such tax measured in accordance with the abatement provisions of the taxing Act of that province and regulations thereunder on portions of such taxable income that would be deemed to have been earned in jurisdictions outside that province is less than the amount of the tax abatement to that province that would apply under subsection 2 measured in accordance with subsections 3 to 35 if the rate of abatement under that subsection were 10 per cent; or

(b) shall be increased by the amount by which the amount of tax, if such tax were calculated at the rate of 10 per cent for the full fiscal year on the taxable income as determined under this Act, that would remain to be paid to that province after abatement of portions of such tax measured in accordance with the abatement provisions of the taxing Act of that province and regulations thereunder on portions of such taxable income that would be deemed to have been earned in jurisdictions outside that province is more than the amount of the tax abatement to that province that would apply under subsection 2 measured in accordance with subsections 3 to 35 if the rate of abatement under that subsection were 10 per cent;

but, in the case of a corporation to which subsection 34 applies, this subsection shall apply as though the corporation were one no part of the taxable income of which is deemed to be earned outside Canada and as though the taxable income on which it is subjected to taxation under section 31 of the Income Tax Act (Canada) were its total taxable income R.S.C. 1952, and, in such case, the measurement of the abatement of portions of tax under subsection 2 as provided by clauses a and b of this subsection shall relate exclusively to such total taxable income as though it were earned exclusively through the activities of the corporation in Canada. 1958, c. 16, s. 3 (3), part; 1959, c. 20, s. 1 (4); 1960, c. 14, s. 3 (1, 2).
Exemptions:  (37) No tax is payable under this section by a corporation for a fiscal year when that corporation was,

municipal authorities  
(a) a municipality in Canada, or a municipal or public body performing a function of government in Canada;

municipal or provincial corporations  
(b) a corporation, commission or association not less than 90 per cent of the shares or capital of which was owned by Her Majesty in right of Canada or a province or by a Canadian municipality, or a wholly-owned corporation subsidiary to such a corporation, commission or association, except as provided by section 58;

certain organizations  
(c) an agricultural organization, a board of trade or a chamber of commerce, no part of the income of which is payable to or was otherwise available for the personal benefit of any proprietor, member or shareholder thereof;

charitable organizations  
(d) a charitable organization, all the resources of which were devoted to charitable activities carried on by the organization itself and no part of the income of which was payable to or was otherwise available for the personal benefit of any proprietor, member or shareholder thereof;

non-profit corporations  
(e) a corporation that was constituted exclusively for charitable purposes, no part of the income of which was payable to or was otherwise available for the personal benefit of any proprietor, member or shareholder thereof, that has not since the 1st day of June, 1950, acquired control of any other corporation and that during the fiscal year,

(i) did not carry on any business,

(ii) had no debts incurred since the 1st day of June, 1950, other than obligations arising in respect of salaries, rents and other current operating expenses, and

(iii) except in the case of a corporation that was constituted exclusively for charitable purposes before the 1st day of January, 1940, expended amounts each of which is,

(A) an expenditure in respect of charitable activities carried on by the corporation itself,
corporations tax

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(B) a gift to an organization in Canada the income of which for the period is exempt from tax under this section by virtue of clause d, or

(C) a gift to a corporation resident in Canada the income of which for the period is exempt from tax under this section by virtue of this clause,

and the aggregate of which is not less than 90 per cent of the income of the corporation for the fiscal year;

(f) a corporation that was constituted exclusively for the purpose of providing low-cost housing accommodation for the aged, no part of the income of which was payable to, or was otherwise available for the personal benefit of, any proprietor, member or shareholder thereof;

(g) a labour organization or society or a benevolent or fraternal benefit society or order;

(h) a club, society or association organized and operated exclusively for social welfare, civic improvement, pleasure or recreation or for any other purpose except profit, no part of the income of which was payable to or otherwise available for the personal benefit of any proprietor, member or shareholder thereof;

(i) a mutual insurance corporation that received its premiums wholly from the insurance of churches, schools or other charitable organizations;

(j) a corporation incorporated or organized as a credit union or co-operative credit society if,

(i) it was restricted to carrying on business in Ontario and it derived its revenues primarily from,

(A) loans made to or cashing cheques for members residing within Ontario,

(B) bonds of or guaranteed by the government of Canada or Ontario, or

(C) loans made to a co-operative credit society of which it is a member, or
(ii) the members thereof were corporations or associations,

(A) incorporated or organized as credit unions substantially all of which derived their revenues primarily from loans made to members or from bonds of or guaranteed by the government of Canada or Ontario,

(B) incorporated, organized or registered under co-operative legislation of Ontario and governed thereby, or

(C) incorporated or organized for charitable purposes,

or were corporations or associations no part of the income of which was payable to or otherwise benefited personally any shareholder or member thereof;

(k) an institutional housing corporation, an institutional holding company or a limited dividend housing corporation within the meaning of those expressions as defined by the National Housing Act (Canada);

(l) a corporation exempt by section 42 as a personal corporation;

(m) a corporation exempt by section 46 as a foreign business corporation;

(n) a corporation exempt by subsection 1 of section 48 as a co-operative corporation;

(o) a corporation incorporated solely in connection with or for the administration of a registered pension fund or plan;

(p) an insurer who was engaged during the fiscal year in no other business than insurance if, in the opinion of the Treasurer, 50 per cent of the gross premium income for the fiscal year was in respect of the insurance of farm property, property used in fishing, or residences of farmers and fishermen. 1957, c. 17, s. 4 (29); 1958, c. 16, s. 3 (4); 1959, c. 20, s. 1 (5).
(38) Where it is necessary for the purpose of subsection 37 to ascertain the taxable income of a corporation for a period that is part of a fiscal year, the taxable income for the period shall be deemed to be the proportion of the taxable income for the fiscal year that the number of days in the period is of the number of days in the fiscal year. 1957, c. 17, s. 4 (30); 1960, c. 14, s. 3 (3).

(39) For the purpose of clause e of subsection 37, a corporation is controlled by another corporation if more than 50 per cent of its issued share capital, having full voting rights under all circumstances, belongs to,

(i) the other corporation, or

(ii) the other corporation and persons with whom the other corporation does not deal at arm’s length,

but a corporation shall be deemed not to have acquired control of another corporation if it has not purchased or otherwise acquired for a consideration any of the shares in the capital stock of that other corporation;

(b) there shall be included in computing the income of gifts a corporation all gifts received by the corporation other than,

(i) a gift received subject to a trust or direction that the property given, or property substituted therefor, is to be held permanently by the corporation for the purpose of gaining or producing income therefrom, or

(ii) a gift or portion of a gift in respect of which it is established that the donor has not been allowed a deduction under paragraph 1 of subsection 1 of section 39 or a gift made by a person who was not taxable under this section for the fiscal year in which the gift was made.

(40) In computing the income of a corporation for the purpose of determining whether it is described by clause e of subsection 37 for a fiscal year,

(a) there may be deducted an amount not exceeding its income for the fiscal year preceding the taxation
(41) For the purpose of determining whether a corporation has complied with subclause iii of clause e of subsection 37 for its first fiscal year after its incorporation, the whole or any part of amounts expended by it in the immediately subsequent fiscal year shall, if it so elects, be deemed to have been expended by it in the first fiscal year and not in the subsequent fiscal year. 1957, c. 17, s. 4 (31-33).

(42) Where the tax payable by a corporation for the taxation year and for certain preceding fiscal years is altered by virtue of section 37 or 38, the difference between the amount that is the total of the taxes payable for all of those fiscal years and the amount that would have been the total of the taxes payable for all of those fiscal years if neither section 37 nor 38 had been applied shall be added to or deducted from, as the case may be, the amount of the tax payable by the corporation for the taxation year. 1959, c. 20, s. 1 (6).

(43) Where the tax payable by a corporation for the fiscal year during which a vessel within the meaning of section 32 is disposed of is altered by virtue of subsection 2 of section 33, the difference, (a) if section 37 does not apply, between the amount that is the amount of tax that is payable by the corporation for that fiscal year and the amount of tax that would be payable for that fiscal year if subsection 2 of section 33 had not applied; or

(b) if section 37 applies, between the total of the taxes payable by the corporation for that fiscal year and certain preceding fiscal years under subsection 42 and the total of the taxes that would be payable by the corporation for that fiscal year and certain preceding fiscal years under subsection 42 if subsection 2 of section 33 had not applied,

shall be deducted from the tax otherwise payable by the corporation for the fiscal year during which the alteration calculated in accordance with subsection 2 of section 33 took place. 1959, c. 20, s. 1 (7).
5.—(1) Except as in this section otherwise provided, every general corporation that has a permanent establishment in Ontario shall for every fiscal year of the corporation pay a tax of one-twentieth of 1 per cent calculated on its taxable paid-up capital. 1958, c. 16, s. 4 (1).

(2) The tax imposed by this section is not payable by any corporation that would be liable to a tax under section 7, 8, 9, 10, 11 or 13 if it were not for the provisions of section 12. 1958, c. 16, s. 4 (2), part.

(3) There may be deducted from the tax otherwise payable by a corporation under this section for a fiscal year an amount equal to one-twentieth of 1 per cent of that portion of the taxable paid-up capital which is deemed to be used by the corporation in the fiscal year in each jurisdiction outside Ontario.

(4) Where in a fiscal year a corporation has no permanent establishment outside Ontario, all of its taxable paid-up capital for the fiscal year shall be deemed to have been used in Ontario.

(5) Where in a fiscal year a corporation has no permanent establishment in Ontario, all of its taxable paid-up capital shall be deemed to have been used in jurisdictions outside Ontario.

(6) Except as otherwise provided, where in a fiscal year a corporation has a permanent establishment in Ontario and a permanent establishment in any other jurisdiction, the amount of its taxable paid-up capital that shall be deemed to have been used in the fiscal year in that other jurisdiction is one-half the aggregate of,

(a) that proportion of the taxable paid-up capital that the gross revenue for the fiscal year reasonably attributable to the permanent establishments in that jurisdiction is of its total gross revenue for the fiscal year; and

(b) that proportion of its taxable paid-up capital that the aggregate of the salaries and wages paid in the fiscal year by the corporation to the employees of the permanent establishments in that jurisdiction is of the aggregate of all salaries and wages paid in the fiscal year by the corporation. 1957, c. 17, s. 5 (2-5).
(7) Notwithstanding subsection 6, the amount of taxable paid-up capital of a trust and loan corporation or a trust corporation or a loan corporation that shall be deemed to have been used in a fiscal year in a jurisdiction outside Ontario is that proportion of its taxable paid-up capital that the gross revenue of its permanent establishments in that jurisdiction for the fiscal year is of the total gross revenue for the fiscal year of the corporation.

(8) For the purpose of subsection 7, the provisions of subsection 18 of section 4 apply mutatis mutandis.

(9) Notwithstanding subsection 6, the amount of taxable paid-up capital of a corporation, the chief business of which is the operation of grain elevators, that shall be deemed to have been used in a fiscal year in a jurisdiction outside Ontario is one-half the aggregate of,

(a) that proportion of its taxable paid-up capital that the number of bushels of grain received in the fiscal year in the elevators operated by the corporation in that jurisdiction is of the total number of bushels of grain received in the fiscal year in all the elevators operated by the corporation; and

(b) that proportion of its taxable paid-up capital that the aggregate of salaries and wages paid in the fiscal year by the corporation to personnel of the permanent establishments in that jurisdiction is of the aggregate of all salaries and wages paid in the fiscal year by the corporation.

(10) Notwithstanding subsection 6, the amount of taxable paid-up capital of a corporation, the chief business of which is the transportation of goods and passengers, other than by the operation of a railway, steamship or airline service, that shall be deemed to have been used in a fiscal year in a jurisdiction outside Ontario is one-half the aggregate of,

(a) that proportion of its taxable paid-up capital that the number of miles travelled by its vehicles in that jurisdiction in the fiscal year is of the total number of miles travelled by its vehicles in the fiscal year; and

(b) that proportion of its taxable paid-up capital that the aggregate of salaries and wages paid in the fiscal year by the corporation to personnel of the permanent establishments in that jurisdiction is of the aggregate of all salaries and wages paid in the fiscal year by the corporation.
(11) Notwithstanding subsection 6, the amount of taxable Pipeline paid-up capital of a corporation, the chief business of which is the operation of a pipeline for oil, gas or water, that shall be deemed to have been used in a fiscal year in a province or territory of Canada outside Ontario is one-half the aggregate of,

(a) that proportion of its taxable paid-up capital that the number of miles of pipe of the corporation in that province or territory of Canada is of the number of miles of pipe of the corporation in Canada; and

(b) that proportion of its taxable paid-up capital that the aggregate of the salaries and wages paid in the fiscal year by the corporation to operators, pipeline allocation, of taxable paid-up capital, of the corporation, that is, is of the number of miles of pipe of the corporation in Canada.

(12) Notwithstanding subsection 6, the amount of taxable Navigation paid-up capital of a corporation, the chief business of which is operating ships, that shall be deemed to have been used in a fiscal year in a province or territory of Canada outside Ontario is the aggregate of,

(a) that portion of its allocable paid-up capital that the port-call-tonnage in that province or territory of Canada is of the port-call-tonnage in Canada; and

(b) if its taxable paid-up capital exceeds its allocable paid-up capital, that portion of the excess that the aggregate of the salaries and wages paid in the fiscal year by the corporation to employees of any permanent establishment, other than a ship, in that province or territory of Canada is of the aggregate of salaries and wages paid in the fiscal year by the corporation to employees of permanent establishments, other than ships, in Canada.

(13) For the purpose of subsection 12, “allocable paid-up capital” means that portion of taxable paid-up capital of the corporation that the port-call-tonnage in Canada is of the total port-call-tonnage and clauses b, c and d of subsection 32 of section 4 apply mutatis mutandis. 1958, c. 16, s. 4 (2), part.

(14) Notwithstanding subsection 6, the amount of taxable paid-up paid-up capital of an airline corporation that shall be deemed to have been used in the fiscal year in a province or territory
of Canada outside Ontario is an amount that is equal to one-quarter of the aggregate of,

(a) that proportion of its taxable paid-up capital for the fiscal year that the capital cost of all fixed assets of the corporation, except aircraft, in that province or territory of Canada at the end of the fiscal year is of the capital cost of all its fixed assets, except aircraft, in Canada at the end of the fiscal year; and

(b) that proportion of its taxable paid-up capital that three times the number of revenue plane miles flown by its aircraft in that province or territory of Canada during the fiscal year is of the total number of revenue plane miles flown by its aircraft in Canada during the fiscal year.

(15) For the purposes of subsection 14, the provisions of subsections 26 and 27 of section 4 apply mutatis mutandis.

1957, c. 17, s. 5 (6, 7).

(16) In the case of a corporation to which subsection 34 of section 4 applies, the paid-up capital thereof shall, notwithstanding section 68, be deemed to be either,

(a) the amount of which the portion of its taxable income which is subjected to taxation under section 31 of the Income Tax Act (Canada) would be 8 per cent; or

(b) the amount that equals the difference between,

(i) the amount of the total assets of the corporation in Canada, and

(ii) the amount of the indebtedness of the corporation relating to its permanent establishments in Canada but excluding therefrom all amounts that are advanced or loaned to its permanent establishments in Canada by the corporation itself or by any other corporation and all other indebtedness that is represented by bonds, bond mortgages, debentures, income bonds, income debentures, mortgages, lien notes and any other securities to which the property in Canada or any of it is subject,

whichever is greater, and, in such case, this section applies as though the paid-up capital as so determined were the total
paid-up capital of the corporation and as though the cor-
poration had no permanent establishments outside Canada.
1959, c. 20, s. 2.

(17) Except as provided by section 58, no tax is payable Exemptions under this section by a corporation for a fiscal year where that corporation was any of the corporations referred to in clauses a to p of subsection 37 of section 4. 1957, c. 17, s. 5 (8).

6.—(1) Except as in this section otherwise provided, every corporation that has a permanent establishment in Ontario shall for every fiscal year of the corporation pay a tax of $50 for each such establishment in Ontario. 1957, c. 17, s. 6 (1).

(2) Except as in this section otherwise provided, every corporation not having a permanent establishment in Ontario but which merely holds assets in Ontario or which merely maintains in Ontario an office solely for the purchase of merchandise or which, being a corporation incorporated under legislation of any jurisdiction other than Ontario, is required, in order to hold land in Ontario, to be licensed under The Mortmain and Charitable Uses Act and merely possesses such a licence or which, in order to have the right to carry on business in Ontario, is required to be licensed under Part IX of The Corporations Act and merely holds a licence under that Part or that carries on business in Ontario within the meaning of section 346 of The Corporations Act, shall for every fiscal year of the corporation, in addition to all other taxes for which it may be liable, pay a tax of $50. 1958, c. 16, s. 5; 1960, c. 14, s. 4.

(3) The tax imposed by this section is not payable by any Exception corporation that would be liable to a tax under section 7, 8, 9, 10, 11 or 13 if it were not for the provisions of section 12.

(4) For the purpose of this section, permanent establish Idem ments shall be deemed to be separate permanent establishments only in such cases where each of them is located apart from the other and apart from the head office or executive office of the corporation and, where a corporation closes one permanent establishment and subsequently opens another, the two permanent establishments shall be counted as one for the fiscal year.

(5) For the purpose of this section, where a corporation, Agent's firm, broker, agent or other person is acting as the agent of more than one corporation, each of such corporations shall be deemed to have a permanent establishment in the office
(6) Every corporation the paid-up capital of which is less than $100,000 shall for every fiscal year of the corporation, in lieu of the tax imposed by subsection 1, pay a tax of one-twentieth of 1 per cent calculated on its paid-up capital for each permanent establishment in Ontario, but in no case shall the tax imposed by this subsection be less than the amount which, when added to the amount of the tax imposed by section 5, totals $20.

(7) Every corporation,

(a) that is engaged in mining, the profits of which during the fiscal year are insufficient to be assessed for a tax under The Mining Tax Act and that does not hold as assets investments in the shares, bonds and obligations of other corporations and governments, municipal and school corporations having an original cost value of more than $40,000;

(b) the charter of which has not been surrendered and the nominal head office of which is designated as being in Ontario and that, in the opinion of the Treasurer, has not commenced to do business or has ceased to do business and is entirely without assets,

shall for every fiscal year of the corporation, in lieu of the tax imposed by subsection 1, pay a tax of $20.

(8) Except as provided in section 58, every corporation referred to in clauses b, c, d, e, g, h, j, k, n and o of subsection 37 of section 4 shall, in lieu of the tax imposed by subsection 1, 6 or 7, pay a tax of $5. 1957, c. 17, s. 6 (2-7).
(2) Where the head office of a bank is outside Ontario and
where it has not more than five offices, branches and agencies
in Ontario, the Treasurer, having regard to the amount of
business transacted in Ontario, may reduce the amount of
tax imposed by clause \( a \) of subsection 1, but such tax shall
in no case be less than one-tenth of 1 per cent calculated
on one-half of the paid-up capital stock. 1957, c. 17, s. 7.

8.—(1) Every corporation that operates or uses a railway
shall for every fiscal year thereof pay a tax of $60 per mile for
one track, and, where the line consists of two or more tracks,
of $40 per mile for each additional track, operated or used in
any municipality in Ontario, and of $40 per mile for one track,
and, where the line consists of two or more tracks, of $20 per
mile for each additional track, in territory without municipal
organization in Ontario, but a corporation that operates or
uses a railway that, either by itself or in conjunction with any
other railway leased by it or to which it is leased or with
which it is amalgamated or together with which it forms one
system, does not exceed 150 miles in length from terminal
to terminal, whether or not one or both of such terminals are
outside Ontario, shall, in lieu of such tax, pay a tax of $15
per mile for one track in Ontario and, where the line consists
of two or more tracks, of $5 per mile for each additional track
in Ontario, and, where the railway or system does not exceed
thirty miles in length between such terminals, a tax of $10 per
mile for one track in Ontario and, where the line consists of
two or more tracks, of $5 per mile for each additional track
in Ontario.

(2) In addition to the tax imposed by subsection 1, every
additional tax corporation that operates or uses a railway that, either by
itself or in conjunction with any other railway leased by it or
to which it is leased or with which it is amalgamated or
together with which it forms one system, exceeds 150 miles
in length from terminal to terminal, whether or not one or
both of such terminals are outside Ontario, shall for every
fiscal year of the corporation pay a tax of $25 per mile for one
track in Ontario, and, where the line consists of two or more
tracks, of $20 per mile for each additional track in Ontario.

(3) Switches, spurs and sidings shall not be included in
the measurement of track for the purpose of this section.
1959, c. 20, s. 3.

9. Every corporation that owns, operates or uses a line
or a part of a line of telegraph in Ontario for gain, including
special tax every corporation that owns, operates or uses a railway,
shall for every fiscal year of the corporation pay a tax of 1
per cent upon the total amount of money invested by the corporation in such line or part thereof and the plant and works connected therewith; provided that a corporation that owns and a corporation that operates and uses any such line or part thereof are liable jointly and severally for the payment of such tax, but the total amount payable in respect of such line or part thereof and the works and plant connected therewith shall not exceed the total amount of tax imposed under this section, notwithstanding that the line or part thereof is owned, operated or used by more than one corporation. 1957, c. 17, s. 9.

10. Every corporation that carries on the business of an express company over a railway in Ontario, including a corporation that owns, operates or uses a railway, shall for every fiscal year of the corporation pay a tax of $800 for each 100 miles or fraction thereof up to but not exceeding a tax of $10,000. 1957, c. 17, s. 10.

11. Every corporation, except a corporation that owns, operates or uses a railway, that transacts in Ontario the business of operating, leasing or hiring sleeping or parlour or dining cars run upon or used upon any railway in Ontario, shall, for every fiscal year of the corporation, pay a tax of 1 per cent calculated upon the money invested in such cars in use in Ontario. 1957, c. 17, s. 11.

12. There may be deducted from the total of the taxes payable by a corporation under sections 5, 6, 7, 8, 9, 10 and 11 the tax payable by that corporation under section 4. 1957, c. 17, s. 12.

13.—(1) Every insurance corporation shall pay a tax of 2 per cent calculated on the gross premiums that become payable to the corporation or its agent or agents during the fiscal year in respect of business transacted in Ontario, other than considerations for annuities, after deducting from such premiums,

(a) cash value of dividends credited to policyholders;

(b) premiums returned;

(c) premiums paid in respect of re-insurance ceded to insurance corporations licensed to transact business in Ontario.
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(2) In determining the amount of tax payable under subsection 1,

(a) every life insurance premium that becomes payable at the time the person insured is a resident of Ontario; and

(b) every other premium that by the terms of the policy or renewal thereof becomes payable in respect of insurance of a person resident or property situate in Ontario at the time such premium becomes payable whether or not,

(i) such premium is earned wholly or partly in Ontario,

(ii) the business in respect of the policy is transacted wholly or partly in Ontario, or

(iii) the payment of such premium is made wholly or partly in Ontario,

shall be deemed to be a premium payable in respect of business transacted in Ontario.

(3) The tax imposed by subsection 1 is not payable in respect of premiums payable under a contract of marine insurance.

(4) In this section, "marine insurance" means insurance against marine losses, that is to say, the losses incident to marine adventure, and may by the express terms of a contract or by usage of trade extend so as to protect the insured against losses on inland waters or by land or air that are incidental to a sea voyage.

(5) Where it is established to the satisfaction of the Lieutenant Governor in Council that any jurisdiction discriminates unfairly by imposing taxes, fees and other monetary obligations on any insurance corporation or any particular class of insurance corporations organized under the laws of Canada or of Ontario and having their principal offices in Ontario that in the aggregate are in excess of comparable taxes, fees and monetary obligations imposed on any similar corporation or class of corporations organized under the laws of such jurisdiction, the Lieutenant Governor in Council may direct that any corporation or any class of corporations organized under the laws of such jurisdiction and that transact business in Ontario shall pay, in addition to the tax otherwise
imposed by this section, a tax not exceeding the equivalent of such excess, and such additional tax is recoverable in the same manner as any other tax imposed by this Act.

(6) For the purposes of this Act, the fiscal year of every insurance corporation shall be deemed to end on the 31st day of December. 1957, c. 17, s. 13.

PART III
COMPUTATION OF TAXABLE INCOME

DIVISION A—TAXABLE INCOME

Taxable income

14. The taxable income of a corporation for a fiscal year is its income for that year minus the deductions permitted by Division C. 1957, c. 17, s. 15.

DIVISION B—COMPUTATION OF INCOME

General Rules

World income

15. The income of a corporation for a fiscal year for the purposes of this Part is its income for the fiscal year from all sources inside or outside Ontario and, without restricting the generality of the foregoing, includes income for the fiscal year from all businesses and property. 1957, c. 17, s. 16.

Income from business or property

16. Subject to the other provisions of this Part, income for a fiscal year from the business or property of a corporation is the profit therefrom for the fiscal year. 1957, c. 17, s. 17.

Amounts Included in Computing Income

17. Without restricting the generality of section 15, there shall be included in computing the income of a corporation for a fiscal year,

(a) amounts received in the fiscal year as, on account or in lieu of payment of, or in satisfaction of, dividends or annuity payments;

(b) amounts received in the fiscal year or receivable in the fiscal year, depending upon the method regularly followed by the corporation in computing its profit, as interest or on account or in lieu of payment of, or in satisfaction of, interest;
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(c) the income of a corporation from a partnership or syndicate for the fiscal year, whether or not it has withdrawn such income during the fiscal year;

(d) the amount deducted as a reserve for doubtful debts in computing the income of a corporation for the immediately preceding fiscal year;

(e) such part of an amount payable to the corporation under a policy of insurance in respect of damage to property that is depreciable property of the corporation within the meaning of section 31 as has been expended by the corporation,

(i) within the fiscal year, and

(ii) within a reasonable time after the damage, on repairing the damage;

(f) amounts received in the fiscal year on account of debts in respect of which a deduction for bad debts had been made in computing the income of the corporation for a previous fiscal year, whether or not the corporation was carrying on the same business in the fiscal year during which such deduction was made;

(g) amounts received by the corporation in the fiscal year that were dependent upon use of or production from property, whether or not they were instalments of the sale price of the property, but instalments of the sale price of agricultural land shall not be included by virtue of this clause; and

(h) amounts received by the corporation in the fiscal year under an employees profit sharing plan established for the benefit of the employees of the corporation or of a corporation with which the first-mentioned corporation does not deal at arm's length. 1957, c. 17, s. 18.

18. Where a payment under a contract or other arrangement can reasonably be regarded as being in part a payment of interest or other payment in the nature of income and in part a payment in the nature of capital, the part of the payment that can reasonably be regarded as a payment of interest or other payment in the nature of income shall, irrespective of when the contract or arrangement was made or the form or legal effect thereof, be included in computing the income of the corporation receiving it. 1957, c. 17, s. 19.
19.—(1) Where, in a fiscal year,

(a) a payment has been made by a corporation to a corporation that is a shareholder therein otherwise than pursuant to a bona fide business transaction;

(b) funds or property of a corporation have been appropriated in any manner whatsoever to or for the benefit of a corporation that is a shareholder therein; or

(c) a benefit or advantage has been conferred by a corporation to a corporation that is a shareholder therein,

otherwise than,

(i) on the reduction of its capital, the redemption of its shares or the winding up, discontinuance or reorganization of its business,

(ii) by payment of a stock dividend, or

(iii) by conferring on all holders of common shares in the capital of the corporation a right to buy additional common shares therein,

the amount or value thereof shall be included in computing the income of the corporation that is a shareholder therein for the fiscal year.

(2) Where a corporation has in a fiscal year made a loan to a corporation that is a shareholder therein, the amount thereof shall be deemed to have been received by the corporation that is a shareholder therein as a dividend in the fiscal year unless,

(a) the loan was made in the ordinary course of its business and the lending of money was part of its ordinary business and bona fide arrangements were made at the time the loan was made for repayment thereof within a reasonable time; or

(b) the loan was repaid within one year from the end of the fiscal year of the lending corporation in which it was made and it is established by subsequent events or otherwise that the repayment was not made as a part of a series of loans and repayments.
(3) An annual or other periodic amount paid by a corporation to another corporation in respect of an income bond or income debenture shall be deemed to have been received by the receiving corporation as a dividend unless the corporation paying it is entitled to deduct the amount so paid in computing its income.

(4) This section is applicable in computing the income of a corporation that is a shareholder of the paying corporation for the purposes of this Part, whether or not the paying corporation had a permanent establishment in Ontario. 1957, c. 17, s. 20.

20. In computing the income for a fiscal year of a bank, there shall be included the amount by which the aggregate of the amounts, that at the end of the fiscal year are set aside or reserved by way of write-down of the value of assets or appropriation to contingency reserves or contingent accounts for the purpose of meeting losses on loans, bad or doubtful debts, depreciation in the value of assets other than bank premises, or other contingencies, is, in the opinion of the Treasurer, having regard to all of the circumstances, in excess of the reasonable requirements of the bank. 1957, c. 17, s. 21.

Amounts Not Included in Computing Income

21. In computing the income of a corporation for a fiscal year, there shall not be included,

(a) an amount received under a war savings certificate issued by His Majesty in right of Canada or under a similar savings certificate issued by His Majesty in right of Newfoundland before April 1, 1949;

(b) the income for the fiscal year of a non-resident corporation earned in Canada from the operation of a ship or aircraft owned or operated by such corporation, if the country where that corporation resides or maintains its chief place of business grants substantially similar relief for the fiscal year to a corporation that resides or has its chief place of business in Canada;

(c) an amount received as a result of prospecting that section 56 provides is not to be included. 1957, c. 17, s. 22; 1958, c. 16, s. 7.
Deductions Allowed in Computing Income

**22.**—(1) Notwithstanding clauses *a* and *b* of subsection 1 of section 23, there may be deducted in computing the income of a corporation for a fiscal year,

(a) an amount paid in the fiscal year or payable in respect of the fiscal year, depending upon the method regularly followed by the corporation in computing its income, pursuant to a legal obligation to pay interest on,

(i) borrowed money used for the purpose of earning income from a business or property, other than borrowed money used to acquire property the income from which would be exempt, or

(ii) an amount payable for property acquired for the purpose of gaining or producing income therefrom or for the purpose of gaining or producing income from a business, other than property the income from which would be exempt,

or a reasonable amount in respect thereof, whichever is the lesser;

(b) an amount payable in the fiscal year as a fee for services rendered by a person as a registrar of or agent for the transfer of shares of the capital stock of the corporation or as an agent for the remittance to shareholders of the corporation of dividends declared by it;

(c) an amount payable in the fiscal year as a fee to a stock exchange for the listing of shares of the capital stock of the corporation;

(d) an expense incurred in the fiscal year in the course of printing and issuing a financial report to shareholders of the corporation or to any other person entitled by law to receive such report;

(e) an amount paid in the fiscal year pursuant to a legal obligation to pay interest on an amount that would be deductible under clause *a* if it were paid in the fiscal year or payable in respect of the fiscal year;
(f) an expense incurred in the fiscal year,

(i) in the course of issuing or selling shares of the capital stock of the corporation, or

(ii) in the course of borrowing money used by the corporation for the purpose of earning income from a business or property, other than money used by the corporation for the purpose of acquiring property the income from which would be exempt,

but not including any amount in respect of,

(iii) a commission or bonus paid or payable to a person to whom the shares would be issued or sold or from whom the money was borrowed or for or on account of services rendered by a person as a salesman, agent or dealer in securities in the course of issuing or selling the shares or borrowing the money, or

(iv) an amount paid or payable as or on account of the principal amount of the indebtedness incurred in the course of borrowing the money, or as or on account of interest;

(g) such part of a payment,

(i) repaying borrowed money used for the purpose of earning income from a business or property, other than borrowed money used to acquire property the income from which would be exempt, or

(ii) for property acquired for the purpose of gaining or producing income therefrom or for the purpose of gaining or producing income from a business, other than property the income from which would be exempt,

made by the corporation in the fiscal year as is by section 18 required to be included in computing the income of the corporation receiving it;

(h) a reasonable amount as a reserve for,

(i) doubtful debts that have been included in computing the income of the corporation for that fiscal year or a previous fiscal year, and
(ii) doubtful debts arising from loans made in the ordinary course of business by a corporation part of the ordinary business of which was the lending of money;

(i) the aggregate of debts owing to the corporation,

(i) that it has established to have become bad debts in the fiscal year, and

(ii) that it has included, except in the case of debts arising from loans made in the ordinary course of business by a corporation part of the ordinary business of which was the lending of money, in computing its income for that fiscal year or a previous fiscal year;

(j) an amount paid by the corporation in the fiscal year or within sixty days from the end of the fiscal year to or under a registered pension fund or plan in respect of services rendered by employees of the corporation in the fiscal year, subject however as follows:

(i) in any case where the amount so paid is the aggregate of amounts, each of which is identifiable as a specified amount in respect of an individual employee of the corporation, the amount deductible under this clause in respect of any one such individual employee is the lesser of the amount so specified in respect of that employee or $1,500, and

(ii) in any other case, the amount deductible under this clause is the lesser of the amount so paid or an amount determined in the prescribed manner, not exceeding $1,500 multiplied by the number of employees of the corporation in respect of whom the amount so paid by the corporation was paid by it, plus such amount as may be deducted as a special contribution under section 51;

(k) where a registered pension fund or plan contains a provision under which the corporation may provide superannuation or pension benefits for an employee or former employee of the corporation by making a lump sum payment to or under the fund or plan in
the fiscal year in which the employee or former employee,

(i) becomes eligible to retire,

(ii) retires or otherwise ceases to be employed by the corporation,

(iii) reaches an age at which the superannuation or pension benefits so provided for become payable or commence to be payable to him,

an amount paid by the corporation in the fiscal year or within sixty days from the end of the fiscal year pursuant thereto as the lump sum in respect of an employee or former employee who, in the fiscal year, became eligible to retire, retired or otherwise ceased to be employed by the corporation or reached the age referred to in subclause iii, except to the extent that it is deductible under clause j;

(l) such amount in respect of expenditures on scientific research as is permitted by section 47;

(m) the capital element of each annuity payment, other than a superannuation or pension benefit or a payment under a registered retirement savings plan, included in computing income for the fiscal year, that is to say, an amount equal to that part of the payment determined in the prescribed manner to have been a return of capital;

(n) where a corporation is an insurance corporation, other than a life insurance corporation, such amounts in respect of payments made or credits allowed by the corporation to its policyholders as are permitted by section 49;

(o) such amounts in respect of payments made by a corporation pursuant to allocation in proportion to patronage as are permitted by section 50;

(p) such amount in respect of taxes on income for the fiscal year from mining or logging operations as is permitted by the regulations;

(q) an amount paid by a corporation to a trustee in trust for employees of such corporation or of a corporation with which such corporation does not deal at arm's length under an employees profit sharing plan as permitted by section 52;
(r) an amount paid by a corporation to a trustee under a supplementary unemployment benefit plan as permitted by section 53. 1957, c. 17, s. 23 (1); 1958, c. 16, s. 8 (1, 2); 1960, c. 14, s. 5 (1, 2).

(2) Notwithstanding clauses a and b of subsection 1 of section 23, there shall be deducted in computing the income of a corporation for a fiscal year,

- capital cost of property
  - such part of the capital cost to the corporation of property, or such amount in respect of the capital cost to the corporation of property, if any, as is provided by the regulations;

- allowance for oil or gas well, mine or timber limit
  - such amount as an allowance in respect of an oil or gas well, mine or timber limit, if any, as is allowed to the corporation by the regulations. 1958, c. 16, s. 8 (3).

(3) In computing the income of a corporation from shares it holds in another corporation the income of which is from the operation of an oil or gas well or a mine, there may be deducted such amount, if any, as is allowed by the regulations. 1957, c. 17, s. 23 (2).

(4) For greater certainty it is hereby declared that, in the case of a regulation made under clause b of subsection 2 allowing to a corporation an amount in respect of an oil or gas well or a mine,

- there may be allowed to the corporation by such regulation an amount in respect of any or all oil or gas wells or mines in which the corporation has any interest; and

- 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. 1957, c. 17, s. 23 (3); 1958, c. 16, s. 8 (4).

(5) Where a deduction is allowed under clause b of subsection 2 in respect of a coal mine operated by a lessee, the lessor and the lessee may agree as to what portion of the allowance each may deduct and, in the event that they cannot agree, the Treasurer may fix the proportions. 1957, c. 17, s. 23 (4); 1958, c. 16, s. 8 (5).
(6) For the purpose of clause a of subsection 1, where a 
Borrowed 
corporation has borrowed money in consideration of its 
money 
promise to pay a larger amount and to pay interest on the 
larger amount,

(a) the larger amount shall be deemed to be the amount 
borrowed; and

(b) where the amount actually borrowed has been used 
in whole or in part for the purpose of earning in-
come from a business or property, the proportion 
of the larger amount that the amount actually so 
used is of the amount actually borrowed shall be 
deemed to be the amount so used.

(7) For greater certainty it is hereby declared that, where Idem 
a corporation has used borrowed money to repay money 
borrowed previously, the borrowed money shall, for the pur-
pose of clause a or g of subsection 1, be deemed to have been 
used for the purpose for which the money borrowed previously 
was used or was deemed by this subsection to have been used.

(8) Notwithstanding clauses a and b of subsection 1 of 
Banks 
section 23, there may be deducted, in computing the income 
for a fiscal year of a bank, such amount as is set aside or 
reserved for the fiscal year either by way of write-down of 
the value of assets or appropriation to any contingency 
reserve or contingent account for the purpose of meeting 
losses on loans, bad or doubtful debts, depreciation in the 
value of assets other than bank premises, or other contingen-
cies, and is, in the opinion of the Treasurer, having regard 
to all the circumstances, not in excess of the reasonable 
requirements of the bank. 1957, c. 17, s. 23 (5-7).

(9) Notwithstanding clauses a and b of subsection 1 of 
Utilities 
section 23, there may be deducted in computing the income 
from a business of a corporation for a fiscal year an amount 
paid by the corporation in the fiscal year to a person, other 
than a person with whom the corporation does not deal at 
arm's length, for the purpose of making a service connection 
to its place of business for the supply, by means of wires, 
pipes or conduits, of electricity, gas, telephone service, water 
or sewers supplied by such person, to the extent that the 
amount so paid was not paid,

(a) to acquire property of the corporation; or

(b) as consideration for the goods or services for the 
supply of which the service connection was under-
taken or made. 1958, c. 16, s. 8 (6).
(10) Notwithstanding clauses \(a\) and \(b\) of subsection 1 of section 23, there may be deducted, in computing the income of a corporation from shares or securities for a fiscal year, one-half the fees paid by the corporation in the fiscal year to an investment counsel for advice as to the advisability of purchasing or selling specific shares or securities.

(11) For the purpose of subsection 10, "investment counsel" means a person whose principal business is advising others as to the advisability of purchasing or selling specific shares or securities.

(12) Notwithstanding clauses \(a\) and \(b\) of subsection 1 of section 23, there may be deducted in computing the income from the business of a corporation for a fiscal year all corporation taxes payable by the corporation in the fiscal year.

(13) In subsection 12 and in this subsection,

\[(a)\] "corporation tax" means a tax imposed by the legislature of a province or by a municipality in the province that is declared by the regulations to be a tax on corporations, but does not include,

\[\text{(i)} \] a corporation income tax, or

\[\text{(ii)} \] any other tax declared by the regulations not to be a corporation tax;

\[(b)\] "corporation income tax" means a tax imposed by the Parliament of Canada or by the legislature of a province or by a municipality in the province that is declared by the regulations to be a tax of general application on the profits of corporations. 1959, c. 20, s. 4.

(14) Where an amount that is owing to a corporation as or on account of the proceeds of disposition of depreciable property of the corporation of a prescribed class as determined for the purpose of section 31 is established by the corporation to have become a bad debt in a fiscal year, there may be deducted in computing its income for the fiscal year the lesser of,

\[(a)\] the amount so owing to the corporation; or

\[(b)\] the amount, if any, by which the capital cost to the corporation of that property, as determined for the purpose of section 31, exceeds the aggregate of the
amounts, if any, realized by the corporation on account of the proceeds of disposition. 1960, c. 14, s. 5 (3).

_Deductions Not Allowed in Computing Income_

23.—(1) In computing income, no deduction shall be made in respect of,

(a) an outlay or expense except to the extent that it was made or incurred by the corporation for the purpose of gaining or producing income from property or a business of the corporation;

(b) an outlay, loss or replacement of capital, a payment on account of capital or an allowance in respect of depreciation, obsolescence or depletion except as expressly permitted by this Part;

(c) an outlay or an expense to the extent that it may reasonably be regarded as having been made or incurred for the purpose of gaining or producing exempt income or in connection with property the income from which would be exempt;

(d) the annual value of property except rent for property leased by the corporation for use in its business;

(e) an amount transferred or credited to a reserve, contingent account or sinking fund except as expressly permitted by this Part;

(f) an amount paid by a corporation other than a personal corporation as interest or otherwise to holders of its income bonds or income debentures unless the bonds or debentures have been issued or the income provisions thereof have been adopted since 1930,

(i) to afford relief to the debtor from financial difficulties, and

(ii) in place of or as an amendment to bonds or debentures that at the end of 1930 provided unconditionally for a fixed rate of interest.

(2) In computing income, no deduction shall be made in respect of an outlay or expense otherwise deductible except to the extent that the outlay or expense was reasonable in the circumstances.
(3) In computing the income of a corporation for a fiscal year, no deduction shall be made in respect of an otherwise deductible outlay or expense payable by the corporation to a person with whom it was not dealing at arm's length if the amount thereof has not been paid before the day one year after the end of the fiscal year; but, if an amount that was not deductible in computing the income of one fiscal year by virtue of this subsection was subsequently paid, it may be deducted in computing the income of the corporation for the fiscal year during which it was paid. 1957, c. 17, s. 24 (1-3).

(4) Clause c of subsection 1 does not apply in respect of an outlay or expense made or incurred by a corporation, at a time when more than 50 per cent of its property consisted of shares in the capital stock of, bonds, debentures, mortgages or hypothecs of or bills or notes of a subsidiary controlled corporation subsidiary to it, for the purpose of gaining or producing income in the form of dividends from any such corporation or in connection with property in the form of shares in the capital stock thereof. 1959, c. 20, s. 5 (2).

24.—(1) Where the chief source of income of a corporation for a fiscal year is neither farming nor a combination of farming and some other source of income, its income for the fiscal year shall be deemed to be not less than its income from all sources other than farming minus the lesser of,

(a) its loss from farming for the fiscal year; or

(b) $2,500 plus the lesser of,

(i) one-half of the amount by which its loss from farming for the fiscal year exceeds $2,500, or

(ii) $2,500. 1957, c. 17, s. 25 (1); 1959, c. 20, s. 6 (1).

(2) For the purpose of this section, the Treasurer may determine that the chief source of income of a corporation for a fiscal year is neither farming nor a combination of farming and some other source of income. 1957, c. 17, s. 25 (2).

(3) For the purpose of this section, a "loss from farming" is a loss from farming computed by applying the provisions of this Part respecting the computation of income from a business mutatis mutandis. 1959, c. 20, s. 6 (2).
(4) The income of a corporation from a business, property or other source of income or from sources in a particular place means the income of the corporation computed in accordance with this Part on the assumption that it had during the fiscal year no income except from that source or those sources of income and was entitled to no deductions except those related to that source or those sources. 1958, c. 16, s. 10 (2).

25.—(1) For the purpose of computing the income of a corporation from a business or a property, the property described in each inventory of the business shall be valued at its cost to the corporation or its fair market value, whichever is lower, unless,

(a) all of the property described in all of the inventories of the business is valued at the cost thereof to the corporation; or

(b) all of the property described in all of the inventories of the business is valued at the fair market value thereof. 1957, c. 17, s. 26 (2).

(2) Notwithstanding subsection 1, for the purpose of computing income for a fiscal year, the property described in an inventory at the commencement of the year shall be valued at the same amount as the amount at which it was valued at the end of the immediately preceding fiscal year in computing the income of the corporation for that preceding fiscal year. 1960, c. 14, s. 6 (2).

(3) For the purpose of this section and section 87, an inventory shall show quantities and nature of the properties that should be included therein in such manner and in sufficient detail that the property may be valued in accordance with this section. 1957, c. 17, s. 26 (3).

26.—(1) A payment or transfer of money, rights or things made pursuant to the direction of or with the concurrence of a corporation to some person for the benefit of the corporation or as a benefit that the corporation desired to have conferred on such person shall be included in computing the income of the corporation to the extent that it would be if the payment or transfer had been made to the corporation.

(2) For the purposes of this Part, a payment or transfer in a fiscal year of money, rights or things made to the corporation or to some person for the benefit of the corporation and other persons jointly or a profit made by the corporation and other persons jointly in a fiscal year shall be deemed to
have been received by the corporation in the fiscal year to the extent of its interest therein notwithstanding that there was no distribution or division thereof in that fiscal year. 1957, c. 17, s. 27.

27.—(1) Where a corporation carrying on business in Canada has purchased anything from a person with whom it was not dealing at arm’s length at a price in excess of the fair market value, the fair market value thereof shall, for the purpose of computing the income of the corporation from the business, be deemed to have been paid or to be payable therefor.

(2) Where a corporation carrying on business in Canada has sold anything to a person with whom it was not dealing at arm’s length at a price less than the fair market value, the fair market value thereof shall, for the purpose of computing the income of the corporation from the business, be deemed to have been received or to be receivable therefor.

(3) Where a corporation carrying on business in Canada has paid or agreed to pay to a non-resident person with whom it was not dealing at arm’s length as price, rental, royalty or other payment, for use or reproduction of any property, or as consideration for the carriage of goods or passengers or for other services, an amount greater than the amount, hereinafter in this subsection referred to as “the reasonable amount”, that would have been reasonable in the circumstances if the non-resident person and the corporation had been dealing at arm’s length, the reasonable amount shall, for the purpose of computing the income of the corporation from the business, be deemed to have been the amount that was paid or is payable therefor.

(4) Where a non-resident person has paid or agreed to pay to a corporation carrying on business in Canada with which he was not dealing at arm’s length as price, rental, royalty or other payment for use or reproduction of any property, or as consideration for the carriage of goods or passengers or for other services, an amount less than the amount, hereinafter in this subsection referred to as “the reasonable amount”, that would have been reasonable in the circumstances if the non-resident person and the corporation had been dealing at arm’s length, the reasonable amount shall, for the purpose of computing the income of the corporation from the business, be deemed to have been the amount that was paid or is payable therefor.

(5) Where property of a corporation has been appropriated in any manner whatsoever to or for the benefit of a shareholder
for no consideration or for a consideration below the fair market value and if the sale thereof at the fair market value would have increased the income of the corporation for the fiscal year, then for the purpose of determining the income of the corporation for the fiscal year it shall be deemed to have sold the property during the fiscal year and to have received therefor the fair market value thereof.

(6) Where property of a corporation has been appropriated in any manner whatsoever to or for the benefit of a shareholder on the winding up of the corporation and if the sale thereof at the fair market value immediately before the winding up would have increased the income of the corporation for the fiscal year, then for the purpose of determining the income of the corporation for the fiscal year it shall be deemed to have sold the property during the fiscal year and to have received therefor the fair market value thereof. 1957, c. 17, s. 28 (1-6).

(7) Where a corporation has disposed of depreciable property as defined for the purpose of section 31 under such circumstances that subsection 3 of section 31 is applicable to determine, for the purpose of clause a of subsection 2 of section 22, the capital cost of the property to the person by whom the property was acquired, subsections 2, 5 and 6 of this section are not applicable in respect to the disposition. 1957, c. 17, s. 28 (7); 1958, c. 16, s. 11.

28.—(1) A lease-option agreement, a hire-purchase agreement or other contract or arrangement for the leasing or hiring of property, except immovable property used in carrying on the business of farming, by which it is agreed that the property may, on the satisfaction of a condition, vest in the lessee or other person to whom the property is leased or hired, hereinafter in this section referred to as the "lessee", or in a person with whom the lessee does not deal at arm's length shall, for the purpose of computing the income of the lessee, be deemed to be an agreement for the sale of the property to such lessee and rent or other consideration paid or given thereunder shall be deemed to be on account of the price of the property and not for its use, and the lessee shall, for the purpose of a deduction under clause a of subsection 2 of section 22 and for the purpose of section 31, be deemed to have acquired the property,

(a) in any case where, at the time the contract or arrangement was entered into, the lessee and the person in whom the property was vested at that time, hereinafter referred to as the "lessor", were
(a) Rules applicable where depreciable property deemed to have been acquired by persons not dealing at arm's length, at a capital cost equal to the capital cost thereof to the lessor; and

(b) in any other case, at a capital cost equal to the price fixed by the contract or arrangement minus the aggregate of all amounts paid by the lessee,

(i) in the case of a contract or arrangement relating to movable property, before the commencement of the fiscal year ending in 1949, and

(ii) in the case of any other contract or arrangement, before the commencement of the fiscal year ending in 1950,

under the contract or arrangement on account of the rent or other consideration.

(2) Where a lessee is deemed by subsection 1 to have acquired property under a contract or arrangement and that property includes property, hereinafter referred to as "depreciable property", in respect of which the lessee has been allowed, or is entitled to, a deduction under clause a of subsection 2 of section 22 in computing his income for a fiscal year, the following applies:

1. The capital cost at which, for the purpose of a deduction under clause a of subsection 2 of section 22 and for the purpose of section 31, the lessee shall be deemed to have acquired the depreciable property is,

(a) in any case where clause a of subsection 1 is applicable, the capital cost of the depreciable property to the lessor; and

(b) in any other case, the capital cost at which the lessee is deemed by subsection 1 to have acquired the property minus the fair market value, at the time the contract or arrangement was entered into, of the part of the property that is not depreciable property.

2. Where the contract or arrangement is subsequently rescinded or determined without the property having vested in the lessee or in a person with whom he was not dealing at arm's length, the lessee shall, for the purpose of a deduction under clause a of subsection 2 of section 22 and for the purpose of section 31, be
deemed to have disposed of the depreciable property for an amount equal to,

(a) the capital cost at which he is deemed by paragraph 1 to have acquired the depreciable property,

minus,

(b) the aggregate of all amounts paid by him under the contract or arrangement on account of the rent or other consideration,

and, in any case where the aggregate of the amount so paid by him exceeds the capital cost at which he is so deemed to have acquired the depreciable property, the amount of the excess shall, for the purpose of computing his income for the fiscal year in which the contract or arrangement was so rescinded or determined, be deemed to have been paid by him in that fiscal year under the contract or arrangement for the use of the property and not on account of its price.

3. Where there is more than one time at which the condition referred to in subsection 1 may be satisfied and the property has, upon the satisfaction of the condition otherwise than at the latest of those times, vested in the lessee, he shall, for the purpose of section 31, be deemed to have received at the time the property vested in him an amount as proceeds of disposition of the depreciable property equal to,

(a) the capital cost at which he is deemed by paragraph 1 to have acquired the depreciable property,

minus,

(b) the aggregate of all amounts paid by him under the contract or arrangement on account of the rent or other consideration, minus the fair market value, at the time the contract or arrangement was entered into, of the part of the property that is not depreciable property,

and, in the case where the amount determined under clause b exceeds the capital cost at which he is so
deemed to have acquired the depreciable property, the capital cost at which, for the purpose of a deduction under clause a of subsection 2 of section 22 and for the purpose of section 31, he shall be deemed to have acquired the depreciable property is the capital cost at which he is deemed by paragraph 1 to have acquired that property plus the amount of the excess.

4. Where it was agreed by the contract or arrangement that the property might, upon the satisfaction of the condition referred to in subsection 1, vest in a person with whom the lessee was not dealing at arm's length and the property has, upon the satisfaction of the condition at a subsequent time, vested in that person, hereinafter referred to as the "new owner", for the purpose of a deduction under clause a of subsection 2 of section 22 and for the purpose of section 31,

(a) the lessee shall be deemed to have disposed of the depreciable property at that subsequent time for an amount equal to its undepreciated capital cost to him at that time;

(b) the capital cost of the depreciable property to the new owner shall be deemed to be an amount equal to the capital cost at which the lessee is deemed by paragraph 1 to have acquired that property; and

(c) an amount equal to the capital cost of the depreciable property to the new owner as determined under clause b minus the amount for which the lessee is deemed by clause a to have disposed of the depreciable property shall be deemed to have been allowed to the new owner, in respect of property of the prescribed class to which the depreciable property belongs, under regulations made under clause a of subsection 2 of section 22 in computing income for fiscal years before the acquisition of the depreciable property by the new owner.

(3) In this section,

(a) a reference to "the price fixed by the contract or arrangement" shall, where there is more than one time at which the condition referred to therein may
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be satisfied, be construed as a reference to the price so fixed as though there were only one time at which the condition may be satisfied and that time were the latest of those times; and

(b) "rent or other consideration" in relation to any contract or arrangement for the leasing or hiring of property, does not include any amount paid as or on account of property taxes or repairs in respect of the property.

(4) This section does not apply in the case of any lease-option agreement, hire-purchase agreement or other contract or arrangement for the leasing or hiring of property entered into after 1957, where the amount fixed by the contract or arrangement as the price at which the property may be purchased on the satisfaction of the condition referred to in subsection 1 is, in the event of the satisfaction of the condition within a period of,

(a) not more than five years after the contract or arrangement was entered into, an amount not less than 100 per cent;

(b) more than five years but not more than ten years thereafter, an amount not less than 75 per cent; and

(c) more than ten years thereafter, an amount not less than 60 per cent,

of the fair market value of the property at the time the contract or arrangement was entered into. 1959, c. 20, s. 7.

29.—(1) Where a corporation resident in Canada has loaned money to a non-resident person and the loan has remained outstanding for one year or longer without interest at a reasonable rate having been included in computing the income of the lending corporation, interest thereon, computed at 5 per cent per annum for the fiscal year or part of the fiscal year during which the loan was outstanding, shall, for the purpose of computing the income of the lending corporation, be deemed to have been received by the lending corporation on the last day of each fiscal year during all or part of which the loan has been outstanding.

(2) Subsection 1 does not apply if the loan was made to a subsidiary controlled corporation and it is established that the money that was loaned was used in the business of the subsidiary corporation for the purpose of gaining or producing income. 1957, c. 17, s. 30.
30. Where, by virtue of an assignment or other transfer of a bond, debenture or similar security, other than an income bond or income debenture, the transferee has become entitled to interest in respect of a period commencing before the time of transfer and ending after that time that is not payable until after the time of transfer, an amount equal to that proportion of the interest that the number of days in the portion of the period that preceded the day of transfer is of the number of days in the whole period,

(a) shall be included in computing the income of the transferor for the fiscal year in which the transfer was made; and

(b) may be deducted in computing the income of the transferee for a fiscal year in the computation of which there has been included,

(i) the full amount of the interest under section 17, or

(ii) a portion of the interest under clause a. 1957, c. 17, s. 31.

31.—(1) Where depreciable property of a corporation of a prescribed class has, in a fiscal year, been disposed of and the proceeds of the disposition exceed the undepreciated capital cost to the corporation of depreciable property of that class immediately before the disposition, the lesser of,

(a) the amount of the excess; or

(b) the amount that the excess would be if the property had been disposed of for the capital cost thereof to the corporation,

shall be included in computing the income of the corporation for the fiscal year. 1957, c. 17, s. 32 (1).

(2) Where one or more amounts are by subsection 1 required to be included in computing the income of a corporation for a fiscal year in respect of the disposition of depreciable property of a prescribed class and the corporation has, during the fiscal year but following the dispositions, acquired further depreciable property of that class, notwithstanding subsection 1 and clause e of subsection 4, the following applies:

1. If the aggregate of the amounts that would according to the terms of subsection 1 be included thereunder in computing the income of the corporation is
equal to or exceeds the amount that would according to the terms of clause e of subsection 4 be the undepreciated capital cost to the corporation of depreciable property of that class at the end of the fiscal year before any deduction is made under clause a of subsection 2 of section 22 for that fiscal year,

(i) the amount to be included in computing the income of the corporation for the fiscal year under subsection 1 in respect of dispositions of depreciable property of that class is that aggregate minus the amount that would be that undepreciated capital cost, and

(ii) the undepreciated capital cost to the corporation of depreciable property of that class at the end of the fiscal year is nothing.

2. If the aggregate of the amounts that would according to the terms of subsection 1 be included thereunder in computing the income of the corporation is less than the amount that would according to the terms of clause e of subsection 4 be the undepreciated capital cost to the corporation of depreciable property of that class at the end of the fiscal year before any deduction is made under clause a of subsection 2 of section 22 for that fiscal year,

(i) no amounts shall be included in computing the income of the corporation for the fiscal year in respect of depreciable property of that class under subsection 1, and

(ii) the undepreciated capital cost to the corporation of depreciable property of that class at the end of the fiscal year before any deduction is made under clause a of subsection 2 of section 22 for the fiscal year is the amount that it would be according to the terms of clause e of subsection 4 minus that aggregate.

1957, c. 17, s. 32 (2); 1958, c. 16, s. 13 (1).

(3) Where depreciable property did, at any time after the commencement of a fiscal year ending in 1949, belong to a person, hereinafter in this subsection referred to as the “original owner”, and has by one or more transactions between persons not dealing at arm’s length become vested in a corporation, the following, notwithstanding section 27, applies
for the purposes of this section and the regulations made pursuant to clause a of subsection 2 of section 22:

1. The capital cost of the property to the corporation shall be deemed to be the amount that was the capital cost of the property to the original owner.

2. Where the capital cost of the property to the original owner exceeds the actual capital cost of the property to the corporation, the excess shall be deemed to have been allowed to the corporation in respect of the property under the regulations made pursuant to clause a of subsection 2 of section 22 in computing income for fiscal years before the acquisition thereof by the corporation. 1957, c. 17, s. 32 (3); 1958, c. 16, s. 13 (2).

(4) In this section and in the regulations made pursuant to clause a of subsection 2 of section 22,

(a) "depreciable property" of a corporation as of any time in a fiscal year means property in respect of which the corporation has been allowed or is entitled to a deduction under the regulations made pursuant to clause a of subsection 2 of section 22 in computing income for that or a previous fiscal year;

(b) "disposition of property" includes any transaction or event entitling a corporation to proceeds of disposition of property;

(c) "proceeds of disposition" of property includes,

(i) the sale price of property that has been sold,

(ii) compensation for property damaged, destroyed, taken or injuriously affected, either lawfully or unlawfully, or under statutory authority or otherwise,

(iii) an amount payable under a policy of insurance in respect of loss or destruction of property, and

(iv) an amount payable under a policy of insurance in respect of damage to property except to the extent that the amount has within a reasonable time after the damage been expended on repairing the damage;
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(5) Where an amount payable under a policy of insurance in respect of loss or destruction of property of a prescribed class would otherwise be included in computing the income of a corporation for a fiscal year, hereinafter in this subsection referred to as “the initial fiscal year”, by virtue of this section, it shall, to the extent that it has been expended by the corporation in the fiscal year immediately following the initial fiscal year on acquiring,

(i) property of the same class, or

(d) “total depreciation” allowed to a corporation before any time for property of a prescribed class means the aggregate of all amounts allowed to the corporation in respect of property of that class under the regulations made pursuant to clause (a) of subsection 2 of section 22 in computing income for the fiscal years before that time;

(e) “undepreciated capital cost” to a corporation of depreciable property of a prescribed class as of any time means the capital cost to the corporation of depreciable property of that class acquired before that time minus the aggregate of,

(i) the total depreciation allowed to the corporation for property of that class before that time,

(ii) for each disposition before that time of property of the corporation of that class, the least of,

(A) the proceeds of disposition thereof,

(B) the capital cost to the corporation thereof, or

(C) the undepreciated capital cost to the corporation of property of that class immediately before the disposition,

and

(iii) each amount by which the undepreciated capital cost to the corporation of depreciable property of that class as of the end of a previous fiscal year was reduced by virtue of subsection 2. 1957, c. 17, s. 32 (4); 1958, c. 16, s. 13 (3); 1960, c. 14, s. 7.
(ii) if the property destroyed was a building, a building of a prescribed class, not be included in computing the income of the corporation for the initial fiscal year; and

(b) it shall, to the extent that it has not been included in computing the income of the corporation for the initial fiscal year, be deemed to be proceeds of a disposition made in the fiscal year immediately following the initial fiscal year of depreciable property of the corporation of the same class as the property so acquired. 1957, c. 17, s. 32 (5).

(6) For the purpose of this section and the regulations made pursuant to clause a of subsection 2 of section 22, the following applies:

1. Where a corporation, having acquired property for the purpose of gaining or producing income therefrom or for the purpose of gaining or producing income from a business, has commenced at a later time to use it for some other purpose, the corporation shall be deemed to have disposed of it at that later time at its fair market value at that time.

2. Where a corporation, having acquired property for some other purpose, has commenced at a later time to use it for the purpose of gaining or producing income therefrom or for the purpose of gaining or producing income from a business, the corporation shall be deemed to have acquired it at that later time at its fair market value at that time.

3. Where a corporation has acquired property by gift, bequest or inheritance, the capital cost to the corporation shall be deemed to have been the fair market value thereof at the time the corporation so acquired it.

4. Where a corporation has given property away, the corporation shall be deemed to have disposed of it at the time of the gift at its fair market value at that time.

5. Where a property has, since it was acquired by a corporation, been regularly used in part for the purpose of gaining or producing income therefrom or for the purpose of gaining or producing income
from a business and in part for some other purpose, the corporation shall be deemed to have acquired for the purpose of gaining or producing income the proportion of the property that the use regularly made of the property for gaining or producing income is of the whole use regularly made of the property at a capital cost to the corporation equal to the same proportion of the capital cost to the corporation of the whole property, and, if the property has in such a case been disposed of, the proceeds of disposition of the proportion of the property deemed to have been acquired for gaining or producing income shall be deemed to be the same proportion of the proceeds of disposition of the whole property.

6. Where at any time after a corporation has acquired property there has been a change in the relation between the use regularly made by the corporation of the property for gaining or producing income and the use regularly made of the property for other purposes,

(i) if the use regularly made by the corporation of the property for the purpose of gaining or producing income has increased, the corporation shall be deemed to have acquired at that time depreciable property of that class at a capital cost equal to the proportion of the fair market value of the property as of that time that the amount of the increase in the use regularly made by the corporation of the property for that purpose is of the whole use regularly made of the property, and

(ii) if the use regularly made of the property for the purpose of gaining or producing income has decreased, the corporation shall be deemed to have disposed at that time of depreciable property of that class and the proceeds of disposition shall be deemed to be an amount equal to the proportion of the fair market value of the property as of that time that the amount of the decrease in the use regularly made by the corporation of the property for that purpose is of the whole use regularly made of the property.

7. Where an amount can reasonably be regarded as being in part the consideration for disposition of depreciable property of a corporation of a prescribed
Interpretation

Farming and fishing

Deduction in respect of capital cost of vessels

class and as being in part consideration for something else, the part of the amount that can reasonably be regarded as being the consideration for such disposition shall be deemed to be the proceeds of disposition of depreciable property of that class irrespective of the form or legal effect of the contract or agreement, and the person to whom the depreciable property was disposed of shall be deemed to have acquired the property at a capital cost to him equal to the same part of that amount.

8. Where a corporation has received or is entitled to receive a grant, subsidy or other assistance from a government, municipality or other public authority in respect of or for the acquisition of property, the capital cost of the property shall be deemed to be the capital cost thereof to the corporation minus the amount of the grant, subsidy or other assistance.

1957, c. 17, s. 32 (6); 1958, c. 16, s. 13 (4).

(7) In paragraphs 1, 2, 5 and 6 of subsection 6, in the case of a non-resident corporation, "business" means a business wholly carried on in Canada or such part of a business as is wholly carried on in Canada. 1957, c. 17, s. 32 (7).

(8) Subsection 1 does not apply in determining the income of a corporation of a fiscal year from farming or fishing unless the corporation has elected to take a deduction for that or a previous fiscal year under the regulations made pursuant to clause a of subsection 2 of section 22 other than a regulation providing solely for an allowance for computing income from farming or fishing. 1957, c. 17, s. 32 (8); 1958, c. 16, s. 13 (5).

32. — (1) Notwithstanding section 31, where a corporation owns a vessel,

(a) that was constructed in Canada and is registered in Canada or is registered under conditions satisfactory to the Treasurer in any country or territory to which the British Commonwealth Merchant Shipping Agreement (signed at London on December 10, 1931) applies; and

(b) the construction of which was commenced after the 1st day of January, 1949; and

(c) in respect of the capital cost of which no allowance has been made to any other taxpayer under the
Canadian Vessel Construction Assistance Act (Canada) R.S.C. 1952, c. 29,
or the Income Tax Act (Canada),

the corporation shall, so long as the title to the vessel remains vested in the corporation, in lieu of a deduction under clause a of subsection 2 of section 22 and the regulations made pursuant to that clause, deduct such part of the capital cost of the vessel to the corporation as the corporation elected to take and was allowed under the Canadian Vessel Construction Assistance Act (Canada).

(2) Notwithstanding section 31, where a corporation owns a vessel,

(a) that is registered in Canada or is registered under conditions satisfactory to the Treasurer in any country or territory to which the British Commonwealth Merchant Shipping Agreement (signed at London on December 10, 1931) applies; and

(b) the conversion or major alteration of which was commenced after the 1st day of January, 1949,

the corporation shall, so long as the title to the vessel remains vested in the corporation, in lieu of the deduction allowed under clause a of subsection 2 of section 22 and the regulations made pursuant to that clause in respect of the conversion cost but in addition to deductions allowed under that clause in respect of the capital cost of the vessel other than the conversion cost, deduct such part of the conversion cost to the corporation as the corporation elected to take and was allowed under the Canadian Vessel Construction Assistance Act (Canada).

(3) For the purposes of this section and section 33,

(a) "capital cost" means capital cost as determined by the Treasurer;

(b) "conversion cost" means the cost of a conversion or major alteration as determined by the Treasurer;

(c) "conversion or major alteration" means a conversion or major alteration made in Canada in accordance with plans approved by the Treasurer pursuant to the written approval of the Canadian Maritime Commission for the purposes of the Canadian Vessel Construction Assistance Act (Canada); and

(d) "vessel" means a vessel as defined in the Canada R.S.C. 1952, Shipping Act (Canada).
Section 32 (4)

Where under section 6 of the *Canadian Vessel Construction Assistance Act* (Canada) a class of vessel is excluded from the operation of that Act, the Treasurer shall exclude the same class of vessel from the operation of this section and section 33. 1959, c. 20, s. 8.

Section 33

Where a corporation disposes of a vessel, in this section called the "sold vessel", and the proceeds of disposition are used by a person under conditions satisfactory to the Treasurer,

(a) to acquire a vessel, in this section called the "new vessel", to which the description in subsection 1 of section 32 applies; or

(b) to defray the conversion cost in respect of a vessel to which the description in subsection 2 of section 32 applies,

the amount to be included in computing the income of the corporation under subsection 1 of section 31 for the fiscal year in which the sold vessel was disposed of shall be that proportion of the amount that would, but for this subsection, be included therein which the amount by which the proceeds of disposition of the sold vessel exceed,

(c) the capital cost of the new vessel to such person incurred during the same fiscal year; or

(d) the conversion cost to such person incurred during the same fiscal year,

or the total of both, as the case may be, bears to the proceeds of disposition of the sold vessel.
(2) Where a part of the proceeds of disposition of a sold vessel that is not used during the same fiscal year during which such disposition took place in the manner provided by subsection 1 is so used during any subsequent fiscal year of the corporation up to and including the seventh, the taxable income of the corporation for the fiscal year during which the sold vessel was disposed of shall be reduced to equal the amount that it would have equalled had the total of all parts of the proceeds of such disposition that were so used up to that time been so used during the fiscal year of the corporation when the sold vessel was disposed of. 1959, c. 20, s. 9.

(3) Where a vessel in respect of which an allowance has been made under subsection 2 of section 32 is disposed of, the portion of the proceeds of disposition that is attributable to the conversion cost shall be determined by the Treasurer.

(4) Notwithstanding clause e of subsection 1 of section 23, a corporation may in computing its income for a fiscal year deduct such amount as is allowed by the regulations as a reserve for expenses to be incurred by reason of quadrennial or other special surveys required by the Canada Shipping Act (Canada), or the regulations made thereunder, or under the rules of any society or association for the classification and registry of shipping approved by the Minister of Transport of Canada for the purposes of that Act.

(5) In any case where,

(a) a corporation made a deduction under subsection 4 in respect of a vessel as a reserve for expenses to be incurred by reason of a quadrennial or other special survey of that vessel; and

(b) the quadrennial or other special survey in respect of which the deduction was made has been completed to the extent that the vessel is permitted to proceed on a voyage,

the aggregate amount of the deductions in respect of the vessel that have not previously been included in computing the income of the corporation under this Part shall be included in computing its income under this Part for the fiscal year in which the survey was so completed.

(6) In any case where,

(a) a corporation has made a deduction under subsection 4 in respect of a vessel as a reserve for
(a) Certain vessels classified for special capital cost allowances

R.S.C. 1952, c. 43

Transfer of rights to income

R.S.C. 1952, c. 43

Securities in satisfaction of income debt

34. Where a corporation disposes of a vessel that is other than one described by clauses a, b and c of subsection 1 of section 32 or that is one to which conversion or major alteration has been made in accordance with subsection 2 of section 32 and, where the corporation elects under section 4 of the Canadian Vessel Construction Assistance Act (Canada) to have such a vessel, or such part of a vessel as equals the excess of the capital cost thereof over the conversion cost, as the case may be, constituted a prescribed class, such vessel or such part, as the case may be, shall be deemed for the purposes of clause a of subsection 2 of section 22 and section 31 to be a prescribed class and the undepreciated capital cost of such vessel or such part, as the case may be, shall be an amount determined in accordance with the Canadian Vessel Construction Assistance Act (Canada). 1959, c. 20, s. 10.

35. Where a corporation has at any time before the end of a fiscal year, whether before or after the commencement of this Act, transferred or assigned to a person with whom the corporation was not dealing at arm's length the right to an amount that would, if the right thereto had not been so transferred or assigned, be included in computing the income of the corporation for the fiscal year because the amount would have been received or receivable by the corporation in or in respect of the fiscal year, the amount shall be included in computing the income of the corporation for the fiscal year unless the income is from property and the corporation has also transferred or assigned the property. 1957, c. 17, s. 35.

36.—(1) Where a corporation has received security or other right or a certificate of indebtedness or other evidence of indebtedness wholly or partially as or in lieu of payment of
or in satisfaction of an interest, dividend or other debt that was then payable and the amount of which would be included in computing the income of the corporation if it had been paid, the value of the security, right or indebtedness or the applicable portion thereof shall, notwithstanding the form or legal effect of the transaction, be included in computing the income of the corporation for the fiscal year in which it was received, and a payment in redemption of a security, satisfaction of the right or discharge of the indebtedness shall not be included in computing the income of the recipient.

(2) Where a security or other right or a certificate of indebtedness or other evidence of indebtedness has been received by a corporation wholly or partially as or in lieu of payment of or in satisfaction of a debt before the debt was payable, but was not itself payable or redeemable before the day on which the debt was payable, it shall for the purpose of subsection 1 be deemed to have been received when the debt became payable by the person holding it at the time.

(3) This section is enacted for greater certainty and shall not be construed as limiting the generality of the other provisions of this Part by which amounts are required to be included in computing income. 1957, c. 17, s. 36.

37.—(1) Where an amount is included in computing the income of a corporation for a fiscal year by virtue of section 31 and where the corporation has elected to pay tax thereon in accordance with section 43 of the Income Tax Act (Canada), the corporation shall exclude the amount that would otherwise be taxable so that,

(a) no amount shall be included in computing its income for the fiscal year by virtue of section 31; and

(b) the taxable income thereof for each of the preceding fiscal years in the period determined under subsection 2 shall be increased by the portions of the amount that would otherwise be included by virtue of section 31 determined under subsection 2.

(2) Where the period during which the corporation was not exempt from tax under section 4 and immediately before the fiscal year for which an amount would otherwise be included in computing its income by virtue of section 31 is only one fiscal year or less, subsection 1 does not apply, and, where that period,

(a) is more than one fiscal year and not more than two fiscal years, the portion referred to in clause b of
subsection 1 is one-half and the period referred to therein is the two immediately preceding fiscal years;

(b) is more than two fiscal years and not more than three fiscal years, the portion referred to in clause b of subsection 1 is one-third and the period referred to therein is the three immediately preceding fiscal years;

(c) is more than three fiscal years and not more than four fiscal years, the portion referred to in clause b of subsection 1 is one-quarter and the period referred to therein is the four immediately preceding fiscal years; and

(d) is more than four fiscal years, the portion referred to in clause b of subsection 1 is one-fifth and the period referred to therein is the five immediately preceding fiscal years. 1959, c. 20, s. 11.

Division C—Computation of Taxable Income

38. Where the property described in the inventory of a business at the commencement of a fiscal year has, according to the method adopted by the corporation for computing income from the business for that fiscal year, not been valued as required by section 25, the property described therein at the commencement of that fiscal year shall, if the Treasurer so directs, be deemed to have been valued as required by section 25, and, in any such case, section 37 applies mutatis mutandis as though any amount by which the income of the corporation for the fiscal year is increased by virtue of this section were an amount included in computing its income for the year by virtue of section 31. 1959, c. 20, s. 12.

39.—(1) For the purpose of computing the taxable income of a corporation for a fiscal year, there may be deducted from the income for the fiscal year such of the following amounts as apply:

1. The aggregate of gifts made by the corporation in the fiscal year, or in the immediately preceding fiscal year to the extent of the amount thereof that was not deductible under this Part in computing the taxable income of the corporation for that immediately preceding fiscal year, to organizations in Canada exempt from tax under Part I of the Income Tax Act (Canada) by paragraphs e, f, g and ga of
subsection 1 of section 62 thereof and to Her Majesty in right of any province of Canada other than Ontario and any Canadian municipality, not exceeding 10 per cent of the income of the corporation for the fiscal year, if payment of the amounts given is proven by the filing of receipts or photostatic reproductions thereof with the Treasurer.

2. The aggregate of gifts made by the corporation in the fiscal year to Her Majesty in right of Canada and of Ontario, if payment of the amounts given is proven by filing receipts or photostatic reproductions thereof with the Treasurer.

3. Business losses sustained in the five fiscal years immediately preceding and the fiscal year immediately following the taxation year, but,

(i) an amount in respect of a loss is only deductible to the extent that it exceeds the aggregate of amounts previously deductible in respect of that loss under this Act,

(ii) no amount is deductible in respect of the loss of any fiscal year until the deductible losses of previous fiscal years have been deducted, and

(iii) no amount is deductible in respect of losses from the income of any fiscal year except to the extent of the lesser of,

(A) the income of the corporation for the fiscal year from the business in which the loss was sustained and its income for the fiscal year from any other business, or

(B) the income of the corporation for the fiscal year minus all deductions permitted by the provisions of this Division other than this clause. 1957, c. 17, s. 37; 1959, c. 20, s. 13 (1, 2).

(2) Paragraph 3 of subsection 1 does not apply to permit a corporation to deduct, for the purpose of computing its taxable income for a fiscal year, a business loss sustained by it in a preceding fiscal year, in any case where,

(a) more than 50 per cent of the shares in the capital stock of the corporation have, between the end of
(a) that preceding fiscal year and the end of the taxation year, been acquired by a person or persons who did not, at the end of that preceding fiscal year, own any of the shares in the capital stock of the corporation; and

(b) the corporation was not, during the taxation year, carrying on the business in which the loss was sustained.

(3) Paragraph 3 of subsection 1 does not apply to permit a corporation to deduct, for the purpose of computing its taxable income for a fiscal year, such part of a loss from farming sustained by it in another fiscal year as was not by virtue of section 24 deductible in computing its income, if any, for the taxation year from farming. 1959, c. 20, s. 13 (3).

(4) Paragraph 3 of subsection 1 applies to require a corporation to deduct, for the purpose of computing its taxable income for a fiscal year, the same part of the loss sustained by it in another fiscal year as is deducted by it under clause e of subsection 1 of section 27 of the Income Tax Act (Canada) in computing its taxable income under that Act for the same fiscal year. 1960, c. 14, s. 8.

(1) Where a corporation in a fiscal year received a dividend or is deemed by section 54 to have received a dividend from a corporation that,

(a) was resident in Canada in the fiscal year and was not by virtue of a statutory provision exempt from tax under Part I of the Income Tax Act (Canada) for the fiscal year;

(b) was a corporation non-resident of Canada more than 25 per cent of the issued share capital of which, having full voting rights under all circumstances, belong to the corporation receiving the dividend;

(c) was a foreign business corporation more than 25 per cent of the issued share capital of which, having full voting rights under all circumstances, belong to the corporation receiving the dividend; or

(d) had never paid a tax under Part I of the Income Tax Act (Canada) by virtue of subsections 5 and 6 of section 83 thereof,

an amount equal to the dividend minus any amount deducted under subsection 3 of section 22 in computing the income of
the corporation receiving the dividend may be deducted from
the income of that corporation for the fiscal year for the
purpose of determining its taxable income. 1957, c. 17, s. 38;
1958, c. 16, s. 16.

(2) Where a corporation has, in computing its taxable Losses not deductible for trading stock income for a fiscal year, deducted an amount under this section in respect of a dividend, no loss arising from trans-
actions with reference to the share in respect of which the
dividend was received shall be allowed to reduce the income
of the corporation for that or a subsequent fiscal year unless
it is established by the corporation that,

(a) the corporation owned the share 365 days or longer
before the loss was sustained; and

(b) the corporation did not, at the time the dividend
was received, own more than 5 per cent of any
class of the issued share capital of the corporation
from which the dividend was received. 1959, c. 20,
s. 14.

41. Notwithstanding anything in this Part, the taxable Life insurance corporations income of a life insurance corporation for a fiscal year is the aggregate of the amounts credited to shareholders' account or otherwise appropriated for or on account of shareholders during the fiscal year minus the aggregate of,

(a) amounts charged in the fiscal year to the share-
holders as their fair proportion of losses incurred
upon investments or other losses of a similar
character;

(b) amounts transferred in the fiscal year from the share-
holders' account to an insurance fund or an invest-
ment reserve fund;

(c) in a case where an amount equal to dividends or
portions of dividends would be deductible under
subsection 1 of section 40, if that subsection were
applicable, such proportion of the amount credited
or appropriated as aforesaid as may reasonably be
regarded as having been derived from those divi-
dends or portions of dividends; and

(d) gifts made out of the shareholders' account by the
corporation in the fiscal year to organizations in
Canada operated exclusively for charitable purposes
not exceeding in the aggregate for the fiscal year
10 per cent of the amount so credited or appropriated minus the amounts described by clauses a and b. 1957, c. 17, s. 39; 1960, c. 14, s. 9.

DIVISION D—EXCEPTIONAL CASES AND SPECIAL RULES

Personal Corporations

42.—(1) No tax is payable under section 4 or 5 by a corporation for a fiscal year during which it was a personal corporation.

(2) In this Act, “personal corporation” means a corporation that, during the whole of the fiscal year in respect of which the expression is being applied,

(a) was controlled, whether through holding of the majority of the shares of the corporation or in any other manner whatsoever, by an individual resident in Ontario, by such individual and one or more members of his family who were resident in Ontario or by any other person on his or their behalf;

(b) derived at least one-quarter of its income from,

(i) ownership of or trading or dealing in bonds, shares, debentures, mortgages, hypothecs, bills, notes or other similar property or interest therein,

(ii) lending money with or without securities,

(iii) rents, hire of chattels, charterparty fees or remunerations, annuities, royalties, interest or dividends, or

(iv) estates or trusts; and

(c) did not carry on an active financial, commercial or industrial business.

(3) For the purpose of clause a of subsection 2, the members of the family of an individual are his spouse, sons and daughters, whether or not they live together.

(4) The income of a personal corporation whether actually distributed or not shall be deemed to have been distributed to and received by the shareholders as a dividend on the last day of each fiscal year of the corporation.
(5) The part of the income of a personal corporation that shall be deemed under this section to have been distributed to and received by a shareholder of the corporation shall be the proportion thereof that the value of all property transferred or loaned to the corporation by the shareholder or any person by whom his share was previously owned is of the value of the property so acquired by the corporation from all its shareholders.

(6) The value of property transferred or loaned to a personal corporation shall be deemed for the purpose of this section to be its value at the time the property was transferred or loaned to the corporation.

(7) For the purpose of this section, where the property of a personal corporation is transferred to or otherwise acquired by another personal corporation, the shareholders of the first corporation shall be deemed to have transferred to the second corporation the property that they or persons who previously owned their share transferred to the first corporation.

(8) Where a dividend has in a fiscal year actually been paid by a corporation that was at the time of payment and always had been a personal corporation, the portion thereof to which a shareholder is entitled and which is received by the shareholder shall not be included in computing the income of that shareholder for the fiscal year in which it was received.

(9) Where a dividend has in a fiscal year been paid by a personal corporation that was in some previous fiscal year not a personal corporation, the following applies:

1. The dividend shall not be included in computing the incomes of the shareholders by whom it was received for the fiscal year in which it was received if the dividend does not exceed the remainder obtained when,

   (i) the aggregate of dividends paid by the corporation previous to that time and not included by virtue of this section in computing the incomes of the shareholders by whom they were received,

   is subtracted from,

   (ii) the aggregate of the amounts deemed under this section to have been distributed while it was a personal corporation.
2. In a case where the dividend does not exceed the remainder referred to in paragraph 1, the dividends shall only be included in computing the incomes of the shareholders by whom it was received for the fiscal year in which it was received to the extent that the excess does not exceed the undistributed income on hand earned by the corporation since the 1st day of January, 1917, in fiscal years when the corporation was not a personal corporation.

3. Where the amount to be included in computing the incomes of shareholders by virtue of paragraph 2 is less than the dividend, the portion thereof that shall be so included in computing the income of a particular shareholder for the fiscal year is the portion thereof that his portion of the dividend is of the whole dividend.

(10) Where a dividend has in a fiscal year been paid by a corporation when it was not a personal corporation but had previously been one, it shall be included in computing the incomes of the shareholders by whom it was received for the fiscal year in which it was received only to the extent that the dividend exceeds the remainder obtained when,

(a) the aggregate of dividends paid by the corporation previous to that time and not included by virtue of this section in computing the incomes of shareholders by whom they were received,

is subtracted from,

(b) the aggregate of the amounts deemed under this section to have been distributed by it to its shareholders while it was a personal corporation,

and, where the excess is less than the dividend so paid, the amount that shall be so included in computing the income of a particular shareholder for the fiscal year is the proportion of the excess that the portion of the dividend belonging to that particular shareholder is of the whole dividend.

(11) Where a dividend is deemed by any provision other than this section to have been paid or received, it shall for the purpose of this section be regarded as having been paid.

(12) Where it has been determined for the purpose of subsection 1 of section 24 that the chief source of income of a corporation for a fiscal year is neither farming nor a combination of farming and some other source of income, its farming
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business shall be deemed for the purpose of clause c of sub-
section 2 not to have been during the fiscal year an active
financial, commercial or industrial business. 1957, c. 17, s. 40.

**Mutual Insurance Corporations**

**43.** It is hereby declared that an insurance corporation
other than a life insurance corporation, whether or not it
is a mutual corporation, that has in a fiscal year entered into
insurance contracts or other arrangements or relationships
whereby it can reasonably be regarded as undertaking to
insure other persons, whether or not such persons are members
or shareholders of the corporation, against loss, damage or
expense of any kind, shall, regardless of the form or legal
effect of those contracts, arrangements or relationships, be
deemed for the purpose of section 4 to have been carrying
on an insurance business in the fiscal year for profit and, in
any such case, for the purpose of computing the income from
the business so deemed to have been carried on, the following
applies:

1. Every amount received under, in consideration of,
in respect of or on account of such contract, arrange-
ment or relationship shall be deemed to have been
received by the corporation in the course of the
business.

2. The income shall, otherwise, be computed in accord-
ance with the rules applicable in computing the
income from a business for the purpose of this Part.

3. All income from property vested in the corporation
shall be deemed to be income of the corporation.
1957, c. 17, s. 41.

**44.** Where a corporation that is incorporated under the
law of a province with authority to transact the business
of life insurance has applied an amount in payment for shares
of the corporation purchased by it under the authority of the
law of the province that provides for the conversion of the
corporation into a mutual corporation by the purchase of its
shares in accordance with the provisions of such law,

(a) section 19 does not apply to require the inclusion
in computing the income of a shareholder of the
corporation of any part of that amount; and
(b) no part of that amount shall be deemed, for the purposes of section 41, to have been credited to shareholders’ account or otherwise appropriated for or on account of shareholders or, for the purposes of section 54, to have been received as a dividend. 1960, c. 14, s. 10.

Non-Resident-Owned Investment Corporations

45.—(1) No tax is payable under section 4 or 5 by a corporation for a fiscal year during which it was a non-resident-owned investment corporation. 1957, c. 17, s. 42 (1).

(2) In this Act, “non-resident-owned investment corporation” means a corporation incorporated in Canada that during the whole of the fiscal year in respect of which the expression is being applied complied with the following conditions:

1. At least 95 per cent of the aggregate value of its issued shares and all its bonds, debentures and other funded indebtedness were,

   (i) beneficially owned by non-resident persons,

   (ii) owned by trustees for the benefit of non-resident persons or their unborn issue, or

   (iii) owned by a corporation, whether incorporated in Canada or elsewhere, at least 95 per cent of the aggregate value of the issued shares of which and all the bonds, debentures and other funded indebtedness of which were beneficially owned by non-resident persons or owned by trustees for the benefit of non-resident persons or their unborn issue or by several such corporations.

2. Its income was derived from,

   (i) ownership or trading or dealing in bonds, shares, debentures, mortgages, hypothecs, bills, notes or other similar property or any interest therein,

   (ii) lending money with or without security,

   (iii) rents, hire of chattels, charterparty fees or remunerations, annuities, royalties, interest or dividends, or

   (iv) estates or trusts.
3. Not more than 10 per cent of its gross revenue was derived from rents, hire of chattels or charterparty fees or remunerations.

4. Its principal business was not,
   (i) the making of loans, or
   (ii) trading or dealing in mortgages, hypothecs, bills, notes or other similar property or any interest therein.

5. It has, not later than ninety days after the commencement of the fiscal year, elected in the manner provided by section 70 of the Income Tax Act R.S.C. 1952, (Canada) to be taxed as provided by section 70 thereof.

6. It has not, before the fiscal year, revoked the election under the Income Tax Act (Canada) to be taxed under that Act as provided by section 70 thereof. 1957, c. 17, s. 42 (2); 1958, c. 16, s. 17; 1960, c. 14, s. 11.

Foreign Business Corporations

46.—(1) No tax is payable under section 4 or 5 by a Foreign corporation for a fiscal year when it was a foreign business corporation.

(2) In this Act, “foreign business corporation” means a corporation that during the whole of the fiscal year in respect of which the expression is being applied,
   (a) was not a personal corporation;
   (b) complied with one of the following conditions:
      (i) its business operations were of an industrial, mining, commercial, public utility or public service nature and were carried on entirely outside Canada, except for management and the designing, purchasing and transportation of goods if the goods were not acquired for resale in the course of trading and were acquired for the operations so carried on outside Canada, either directly or through ownership of shares in or control of subsidiary or affiliated corporations and its property, except securities and bank deposits, was situate entirely outside Canada,
(ii) it was the wholly-owned subsidiary of a corporation that complied with the conditions in subclause i and was wholly engaged in carrying on business outside Canada, or

(iii) its business was of an investment or financial nature and was carried on entirely outside Canada, its shares had been offered for public subscription or were listed on a recognized stock exchange in Canada or elsewhere and its property, except bank deposits and shares of other corporations that were entitled to exemption under this section, was situate entirely outside Canada; and

(c) derived not more than 10 per cent of its gross revenue from the leasing or operation by it of a ship or aircraft,

and has,

(d) filed a return for the fiscal year in the form and within the period of time required by section 71 and within the same time paid the tax levied by section 6; or

(e) within 370 days from the end of the fiscal year, filed a return for the fiscal year in the form required by section 71 and paid the tax imposed by section 6 plus a penalty for late filing equal to $10 for each day of delay after the expiration of the period of time from the end of the fiscal year within which section 71 requires the filing of a return.

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(3) For the purposes of this section, shares and bonds of corporations incorporated in Canada shall be deemed to be property situate in Canada notwithstanding that they have been transferred on a register outside Canada.

Exception

(4) Where a corporation would have complied during the whole of a fiscal year with the condition contained in subclause i of clause b of subsection 2 were it not that its business operations during the fiscal year were carried on in part in Canada through ownership of shares in or control of one or more subsidiary or affiliated corporations, the corporation shall be deemed to have complied with that condition if, during the whole of the fiscal year,

(a) the business operations so carried on in Canada were of a mining nature; and
(b) its main business operations were of an industrial, mining, commercial, public utility or public service nature, and were, except for management and the designing, purchasing, and transportation of goods, carried on outside Canada. 1957, c. 17, s. 43.

(5) This section does not apply to exempt a corporation from tax under section 4 or 5 for a fiscal year ending after the 9th day of April, 1959, hereinafter in this subsection referred to as a “particular taxation year”, unless,

(a) in the case of a corporation that had a fiscal year ending before 1959, the corporation was during its last fiscal year ending before 1959 and each subsequent fiscal year, if any, previous to the particular taxation year, a foreign business corporation;

(b) in the case of a corporation incorporated on or before the 9th day of April, 1959, that did not have a fiscal year ending before 1959, the corporation was during its first fiscal year ending after 1958 and each subsequent fiscal year, if any, previous to the particular taxation year, a foreign business corporation; or

(c) in the case of a corporation that had a fiscal year ending on or before the 9th day of April, 1959, the corporation was during the fiscal year in which that date occurred and each subsequent fiscal year, if any, previous to the particular taxation year, a foreign business corporation, and had during that part of its fiscal year in which that date occurred that was before the 10th day of April, 1959, business operations that complied with one of the conditions contained in clause b of subsection 2. 1960, c. 14, s. 12.

Scientific Research

47.—(1) In computing the income for a fiscal year of a corporation that had a permanent establishment in Canada and made expenditures in respect of scientific research in the fiscal year, there may be deducted,

(a) all expenditures of a current nature made in Canada in the fiscal year,

(i) on scientific research related to the business and directly undertaken by or on behalf of the corporation,
(ii) by payments to an approved association that undertakes scientific research related to the class of business of the corporation,

(iii) by payments to an approved university, college, research institute or other similar institution to be used for scientific research related to the class of business of the corporation; and

(b) the lesser of,

(i) one-third of the expenditures of a capital nature made in Canada, by acquiring property other than land, in the fiscal year and the two fiscal years immediately preceding that fiscal year on scientific research related to the business and directly undertaken by or on behalf of the corporation, or

(ii) the undepreciated capital cost to the corporation of the property so acquired as of the end of the fiscal year, before making any deduction under this clause in computing the income of the corporation for the fiscal year.

Limitation (2) Not more than 5 per cent of the taxable income of the corporation for the fiscal year preceding the taxation year may be deducted under this section unless the research program in respect of which the expenditures were made has been approved.

Idem (3) No deduction may be made under this section in respect of an expenditure made to acquire rights in or arising out of scientific research or in respect of an amount deducted under this Part from income in respect of a gift to a charitable organization.

Interpretation (4) In this section,

(a) "approved" means approved by the Treasurer;

(b) "scientific research" means any activity in the field of natural or applied science for the extension of knowledge;

(c) references to expenditures on scientific research include all expenditures incurred for the prosecution or the provision of facilities for the prosecution of the scientific research;
(d) references to scientific research relating to a business or class of business include any scientific research that may lead to or facilitate an extension of that business or, as the case may be, business of that class. 1957, c. 17, s. 44 (1-4).

(5) An amount deducted under clause b of subsection 1 shall for the purpose of section 31 be deemed to be an amount allowed to the corporation in respect of the property acquired by the expenditures under the regulations made pursuant to clause a of subsection 2 of section 22 and for that purpose the property acquired by the expenditures shall be deemed to be of a separate prescribed class. 1957, c. 17, s. 44 (5); 1958, c. 16, s. 18.

Co-operatives

48.—(1) Except as provided in subsection 2, no tax is payable under section 4 for each of the first three fiscal years after commencement of its business by a co-operative corporation that commenced business on or after the 1st day of January, 1947. 1957, c. 17, s. 45 (1); 1958, c. 16, s. 19 (1).

(2) The exemption provided by subsection 1 does not apply to a co-operative corporation, the business of which is a continuation of a previous business in which a substantial number of its members had a substantial interest either as shareholders of a corporation carrying on the previous business or otherwise. 1958, c. 16, s. 19 (2).

(3) Where a co-operative corporation has received a grant from the government of a province that was not fixed by reference to natural products marketed, supplies, equipment or household necessities purchased or sold or services performed by it,

(a) no amount shall be included in respect of the grant in computing the income of the corporation for any fiscal year; and

(b) paragraph 8 of subsection 6 of section 31 is not applicable in respect of any property in respect of or for the acquisition of which the grant was received.

(4) No tax is payable under section 5 by a corporation for any fiscal year during which it is a co-operative corporation. 1957, c. 17, s. 45 (2, 3).
(5) In this Act, "co-operative corporation" means a corporation that was incorporated under legislation of a province respecting the establishment of co-operative corporations for the purpose of marketing, including processing incident to or connected therewith, natural products belonging to or acquired from its members or customers, of purchasing supplies, equipment or household necessaries for or to be sold to its members or customers or of performing services for its members or customers, if, during the fiscal year,

(a) the statute under which it was incorporated, its charter, articles of association or by-laws or its contracts with its members or its members and customers held forth the prospect that payments would be made to them in proportion to patronage;

(b) none of its members had more than one vote in the conduct of its affairs;

(c) at least 90 per cent of its members are individuals and at least 90 per cent of its shares, if any, are held by individuals;

(d) the rate of interest on capital subscribed by its members or the rate of its dividends on its shares did not exceed 5 per cent per annum; and

(e) the value of the product marketed for or acquired from, supplies, equipment and household necessaries purchased for or sold to, and the services performed for, its customers other than members did not exceed 20 per cent of the total thereof for all its business. 1957, c. 17, s. 45 (4), cls. (a-e).

(6) Clause a of subsection 2 of section 54 does not apply where the corporation that redeemed or acquired its common shares or that reduced its common stock is a co-operative corporation. 1958, c. 16, s. 19 (4).

**Refund of Premiums**

49. In computing the income for a fiscal year of an insurance corporation other than a life insurance corporation, whether a mutual corporation or a joint stock company, there may be deducted every amount credited in respect of business for the fiscal year to a policyholder of the corporation by way of dividend, refund of premiums or refund of premium deposits, if the amount was during the fiscal year or within twelve months thereafter,

(a) paid to the policyholder;
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(b) applied in discharge, in whole or in part, of a liability of the policyholder to pay premiums to the corporation; or

(c) credited to the account of the policyholder on terms that he is entitled to payments thereof on or before expiry or termination of the policy. 1957, c. 17, s. 46.

Patronage Dividends

50.—(1) Notwithstanding anything in this Part, there may be deducted in computing income for a fiscal year the aggregate of the payments made pursuant to allocations in proportion to patronage by a corporation,

(a) within the fiscal year or within twelve months thereafter to its customers of the fiscal year; and

(b) within the fiscal year or within twelve months thereafter to its customers of a previous fiscal year, the deduction of which from income of a previous fiscal year was not permitted.

(2) Notwithstanding subsection 1, if the corporation has not made allocations in proportion to patronage in respect of all its customers of the fiscal year at the same rate with appropriate differences for different types or classes of goods, products or services, or classes, grades or qualities thereof, the amount that may be deducted under this section is an amount equal to the lesser of,

(a) the aggregate of the payments mentioned in subsection 1; or

(b) the aggregate of,

(i) the part of the income of the corporation for the fiscal year attributable to business done with members, and

(ii) the allocation in proportion to patronage made to non-member customers of the fiscal year.

(3) Where the deduction of an amount under subsection 1 or 2 would result in the taxable income of the corporation for the fiscal year, before deduction of any amount under
subsection 1 of section 39 in respect of business losses, being less than the amount by which,

(a) 3 per cent of the capital employed in the business at the commencement of the fiscal year,

exceeds,

(b) the interest, if any, paid on borrowed moneys, other than moneys borrowed from a bank or from a corporation or association described in clause j of subsection 37 of section 4, and deductible in computing the income of the corporation for the fiscal year,

the amount that may be deducted under this section is such as will leave the corporation with a taxable income before deduction of any amount under subsection 1 of section 39 in respect of business losses, equal to the excess.

(4) For the purposes of this section,

(a) "allocation in proportion to patronage" for a fiscal year means an amount credited by a corporation to a customer of that fiscal year on terms that the customer is entitled to or will receive payment thereof, computed at a rate in relation to the quantity, quality or value of the goods or products acquired, marketed, handled, dealt in or sold, or services rendered by the corporation from, on behalf of or to the customer, whether as principal or as agent of the customer or otherwise, with appropriate differences in the rate for different classes, grades or qualities thereof,

(i) if the amount was credited,

(A) within the fiscal year or within twelve months thereafter, and

(B) at the same rate in relation to quantity, quality or value aforesaid as the rate at which amounts were similarly credited to all other customers of that year who were members or to all other customers of that year, as the case may be, with appropriate differences aforesaid for different classes, grades or qualities, and
(ii) if the prospect that amounts would be so credited was held forth by the corporation to its customers of that year who were members or non-member customers of that year, as the case may be;

(b) "capital employed in the business" shall be computed in accordance with subsection 8, except that no deduction shall be made from capital in respect of borrowed moneys, other than moneys borrowed from a bank or from a corporation described in clause j of subsection 37 of section 4;

(c) "customer" means a customer of a corporation and includes a person who sells or delivers goods or products to the corporation or for whom the corporation renders services;

(d) "consumer goods or services" means goods or services the cost of which was not deductible by the corporation in computing the income from a business or property;

(e) "income of the corporation attributable to business done with members" of any fiscal year means that proportion of the income of the corporation for the fiscal year, before making any deduction under this section, that the value of the goods or products acquired, marketed, handled, dealt in or sold or services rendered by the corporation from, on behalf of, or for members, is of the total value of goods or products acquired, marketed, handled, dealt in or sold or services rendered by the corporation from, on behalf of, or for all customers during the fiscal year;

(f) "payment" includes,

  (i) the issue of a certificate of indebtedness or shares of the corporation or of a corporation of which the corporation is a subsidiary wholly-owned corporation if the corporation or that other corporation has in the fiscal year or within twelve months thereafter disbursed an amount of money equal to the aggregate face value of all certificates or shares so issued in the course of redeeming or purchasing certificates of indebtedness or shares of the corporation or that other corporation previously issued,
(ii) the application by the corporation of an amount to the liability of a member to the corporation, including, without restricting the generality of the foregoing, an amount applied in fulfilment of an obligation of the member to make a loan to the corporation and an amount applied on account of payment of shares issued to a member, pursuant to a by-law of the corporation, pursuant to statutory authority or at the request of the member, or

(iii) the amount of a payment or transfer by the corporation that under subsection 1 of section 26 is required to be included in computing the income of a member;

(g) "member" means a person who is entitled as a member or shareholder to full voting rights in the conduct of the affairs of the corporation or of another corporation of which the corporation is a subsidiary wholly-owned corporation; and

(h) "non-member customer" means a customer who is not a member.

(5) For the purpose of this section, the corporation shall be deemed to have held forth the prospect that amounts would be credited to a customer of a fiscal year by way of allocation in proportion to patronage,

(a) if throughout the fiscal year the statute under which the corporation was incorporated or registered, its charter, articles of association or by-laws or its contract with the customer held forth the prospect that amounts would be so credited to customers who are members or non-member customers, as the case may be; or

(b) if prior to the commencement of the fiscal year or prior to such other day as is prescribed for the class of business in which the corporation is engaged, the corporation has published an advertisement in the prescribed form in a newspaper or newspapers of general circulation throughout the greater part of the area in which the corporation carried on business holding forth that prospect to customers who are members or non-member customers, as the case may be, and has filed copies of the newspaper or newspapers with the Treasurer before the end of the
thirtieth day of the fiscal year or within thirty days from the prescribed day, as the case may be.

(6) For the purpose of subsection 3, "3 per cent of the capital employed in the business at the commencement of the fiscal year" means, in any case where the fiscal year of the corporation is less than twelve months, that proportion of 3 per cent of the capital so employed at the commencement of the fiscal year that the number of days in the fiscal year is of 365.

(7) Where a payment has been received by a corporation in respect of an allocation in proportion to patronage, other than an allocation in respect of consumer goods or services, the amount thereof shall be included in computing the income of the recipient for the fiscal year in which the payment was received and, without restricting the generality of the foregoing, where a certificate of indebtedness or a share was issued to a person in respect of an allocation in proportion to patronage, the amount thereof shall be included in computing the income of the recipient for the fiscal year in which the certificate or share was received and not in computing his income for the fiscal year in which the indebtedness was subsequently discharged or the share was redeemed.

(8) For the purpose of this section, "capital employed in the business" means the capital at the beginning of the fiscal year and shall be computed in accordance with the following and is subject to the deductions or other adjustments provided in subsections 9 to 13:

1. So far as it consists of assets acquired by purchase on or after the incorporation of the corporation, the price at which those assets were acquired and, where the price of any asset has been satisfied otherwise than in cash, the value of the consideration actually given for that asset at the time the consideration was given shall be treated as the price at which such asset was acquired.

2. So far as it consists of assets being debts due to the corporation, the full amount of those debts subject to any deduction that has been allowed under this Act in respect thereof on account of bad debts.

3. So far as it consists of any other assets that have been acquired otherwise than by purchase as aforesaid, the value of the assets when they became assets of the corporation.

4. The amount of money or bank deposits that is actually used by the corporation in its business.
(9) Capital employed in the business is subject to the following deductions:

1. Any sum contributed directly or indirectly by Canada or by any province of Canada towards the acquisition by the corporation of any asset referred to in subsection 8.

2. The total amount of depreciation that has been or should have been taken into account in accordance with this Act or any predecessor thereto plus any accumulated depreciation reserves at the commencement of this Act or any predecessor thereto recognized by the Treasurer for the purposes of this section, and in addition such amount on account of depletion as is deemed by the Treasurer to be fair and reasonable.

3. Any borrowed money and debts of the corporation, other than dividends declared but unpaid at the commencement of the fiscal year, except the amount of indebtedness represented by income bonds or income debentures, the interest on which is not allowed as a deduction under clause \( f \) of subsection 1 of section 23 or any provision under a former Act of like character and except the amount of indebtedness represented by a non-interest bearing advance from a corporation to its subsidiary that the Treasurer, in his sole discretion, determines to be in the nature of permanently invested capital.

4. Any investments the income from which is exempt or would be exempt from the tax imposed by section 4.

5. Any moneys, bank deposits, investments or other assets that are unproductive and are not required for the purposes of the business or that were not acquired for the purposes of the business.

(10) Capital employed in the business,

(a) shall be increased by a portion of any \textit{bona fide} additions to the assets of the corporation or reduction in the liabilities of the corporation in the fiscal year; and

(b) shall be decreased by a portion of any \textit{bona fide} reduction in the assets of the corporation or addition to the liabilities of the corporation in the fiscal year,
unless the increase or decrease results from profits or losses of the corporation in the fiscal year.

(11) The increase or decrease required by subsection 10 is that proportion of the addition or reduction, as the case may be, that the number of days in the fiscal year after the addition or reduction occurs bears to the number of days in the fiscal year.

(12) Capital employed in the business shall be decreased by the amount of dividends paid in cash during the fiscal year to the extent of one-half of the amount by which the capital, calculated in accordance with subsections 8 and 9, at the commencement of the fiscal year is greater than the capital so calculated at the commencement of the next succeeding fiscal year.

(13) Notwithstanding anything in this section, the computation of capital employed in the business may be revised to disregard the whole or any portion of capital values resulting from a transaction deemed not to have been arranged at arm's length. 1957, c. 17, s. 47.

Special Contributions by Corporations to Superannuation Funds

51.—(1) Where a corporation is an employer and has made a special payment in a fiscal year on account of an employee's superannuation or pension fund or plan in respect of past services of employees pursuant to a recommendation by a qualified actuary in whose opinion the resources of the fund or plan required to be augmented by an amount not less than the amount of the special payment to ensure that all the obligations of the fund or plan to the employees may be discharged in full, and has made the payment so that it is irrevocably vested in or for the fund or plan and the payment has been approved by the Treasurer, there may be deducted in computing the income of the corporation for the fiscal year the amount of the special payment. 1959, c. 20, s. 15 (1).

(2) For greater certainty and without restricting the generality of subsection 1, it is hereby declared that subsection 1 is applicable where the resources of a fund or plan required to be augmented by reason of an increase in the superannuation or pension benefits payable out of or under the fund or plan. 1957, c. 17, s. 48 (2).
52.—(1) In this Act, "employees profit sharing plan" means an arrangement under which payments computed by reference to the profits from the business of a corporation or by reference to the profits from the business of a corporation and the profits, if any, from the business of a person with whom the corporation does not deal at arm's length are made by the corporation to a trustee in trust for the benefit of officers or employees of the corporation or of a person with whom the corporation does not deal at arm's length, whether or not payments are also made to the trustee by the officers or employees, and under which the trustee has, since the commencement of the plan or the end of 1949, whichever is later, each year allocated either contingently or absolutely to individual officers or employees,

(a) all amounts received by him from the corporation or from a person with whom the corporation does not deal at arm's length; and

(b) all profits from the trust property, computed without regard to any capital gain made by the trust or capital loss sustained by it at any time since the end of 1955,

in such manner that the aggregate of all such amounts and such profits minus such portion thereof as has been paid to beneficiaries under the trust is allocated either contingently or absolutely to officers or employees who are beneficiaries thereunder.

(2) No tax is payable under section 4 on the taxable income of the trust for a fiscal year during which the trust was governed by an employees profit sharing plan.

(3) An amount paid by a corporation to a trustee under an employees profit sharing plan during a fiscal year or within 120 days thereafter may be deducted in computing the income of the corporation for the fiscal year to the extent that it was not deductible in computing income for a previous fiscal year. 1957, c. 17, s. 49 (1-3).

(4) Where the terms of an arrangement under which a corporation makes payments to a trustee specifically provide that the payments shall be made "out of profits", such arrangement shall, if the corporation has so elected under subsection 7 of section 79 of the Income Tax Act (Canada), be deemed for the purpose of subsection 1 to be an arrangement
for payments "computed by reference to the profit of the corporation from its business". 1957, c. 17, s. 49 (4); 1958, c. 16, s. 20.

Supplementary Unemployment Benefit Plan

53.—(1) In this Act, "supplementary unemployment benefit plan" means an arrangement, other than an arrangement in the nature of a superannuation or pension fund or plan or an employees profit sharing plan, under which payments are made by a corporation to a trustee in trust exclusively for the payment of periodic amounts to employees or former employees of the corporation who are or may be laid off for any temporary or indefinite period. 1957, c. 17, s. 50 (1); 1958, c. 16, s. 21.

(2) No tax is payable under section 4 upon the taxable income of the trust for a period during which the trust was governed by a supplementary unemployment benefit plan.

(3) An amount paid by a corporation to a trustee under a supplementary unemployment benefit plan during a fiscal year or within thirty days thereafter may be deducted in computing the income of the corporation for the fiscal year to the extent that it was not deductible in computing income for a previous fiscal year. 1957, c. 17, s. 50 (2, 3).

Undistributed Income

54.—(1) Where funds or property of a corporation have, at a time when the corporation had undistributed income on hand, been distributed or otherwise appropriated in any manner whatsoever to or for the benefit of one or more of its shareholders on the winding-up, discontinuance or reorganization of its business, a dividend shall be deemed to have been received at that time by each shareholder equal to the lesser of,

(a) the amount or value of the funds or property so distributed or appropriated to him; or

(b) his portion of the undistributed income then on hand.

(2) Where a corporation has, at a time when it had undis-Deemed to be dividendtributed income on hand,

(a) redeemed or acquired any of its common shares or reduced its common stock; or
(b) converted any of its common shares into shares other than common shares or into some obligation of the corporation,

a dividend shall be deemed to have been received at that time by each of the persons who held any of the shares at that time equal to the lesser of,

(i) the amount received or the value of that which was received by him for or in respect of the shares or the reduction or conversion, or

(ii) his portion of the undistributed income then on hand.

(3) Where the whole or any part of the undistributed income on hand of a corporation has been capitalized, a dividend shall be deemed to have been received by each of the persons who held any of its shares immediately before the capitalization equal to the shareholder's portion of the undistributed income that was capitalized.

(4) Where under this section a dividend has been deemed to have been received, the undistributed income on hand of the corporation paying it shall be deemed to have been reduced by the amount that the shareholders are so deemed to have received.

(5) Where a corporation has paid a stock dividend, the corporation shall for the purpose of subsection 3 be deemed to have capitalized immediately before the payment undistributed income on hand equal to the lesser of,

(a) the undistributed income then on hand; or

(b) the amount of the stock dividend.

(6) Except where the corporation is a non-resident corporation more than 50 per cent of the share capital of which having full voting rights under all circumstances belongs to non-residents, this section is applicable in computing the income of the shareholder for the purpose of this Part, whether or not the corporation had a permanent establishment in Canada.

(7) Where a corporation has at any time increased its paid-up capital otherwise than by,

(a) payment of a stock dividend; or
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(b) a transaction that has increased the assets of the corporation by an amount not less than the amount by which its paid-up capital has been increased,

the corporation shall, for the purpose of subsection 3, be deemed to have capitalized at that time undistributed income on hand equal to the lesser of,

(c) the undistributed income then on hand; or

(d) the amount by which the paid-up capital of the corporation was so increased, minus the amount if any by which the assets of the corporation have been so increased. 1957, c. 17, s. 51.

55.—(1) In this Act, “undistributed income on hand” of a corporation at the end of or at any time in a specified fiscal year means the aggregate of the incomes of the corporation for the fiscal years beginning with the fiscal year that ended in 1917 and ending with the specified fiscal year minus the aggregate of the following amounts for each of those years:

1. Each loss sustained by the corporation for a fiscal year.

2. Each expense incurred or disbursement made by the corporation during one of those years that was not allowed as a deduction in computing income for one of those years under this Part, except,

   (i) an expense incurred or a disbursement made in respect of the acquisition of property, including goodwill, or the repayment of loans or capital,

   (ii) an outlay or expense the deduction of which was not allowed by reason of subsection 3 of section 23, or

   (iii) unless the undistributed income on hand is being determined for the purpose of subsection 1 of section 54, any part of the payment referred to in section 51 that has not been allowed as a deduction in computing income of one of those years.

3. The amount by which all capital losses sustained by the corporation in those fiscal years exceeds all capital profits or gains made by the corporation in those fiscal years.
4. All amounts by which under other provisions of this Act the undistributed income on hand of the corporation has been deemed to have been reduced previous to the specified fiscal year.

5. Dividends paid by the corporation in those fiscal years except a dividend that was paid exclusively out of a surplus or accumulated profits on hand before the 1st day of January, 1917, and that was not taxable under the Income War Tax Act (Canada) as income of the recipient other than a dividend or any part of a dividend that is established to have been paid out of income for the fiscal year ending in 1917 that was earned before the 1st day of January, 1917, minus the aggregate of amounts if any that were deductible by the shareholders in respect of the dividends under the regulations made under subsection 3 of section 22 or that would have been so deductible if the shareholders had been taxable under section 4 for the fiscal year in which the dividends were received.

6. Premiums determined in the manner provided by subsection 3 paid by the corporation on redemption or acquisition of any of its shares other than common shares.

(2) A shareholder's portion of undistributed income on hand of a corporation at any time, or any portion thereof, means the amount that would have been payable to him on the winding-up of the corporation at that time if the subscribed capital had been repaid and what remained to be distributed on the winding-up were an amount equal to the undistributed income on hand at that time, or the portion of it, as the case may be.

(3) For the purpose of this section, a share has been redeemed or acquired at a premium if the amount payable by the corporation in respect of the redemption or acquisition exceeds,

(a) the par value of the share, if it had a par value; or

(b) if the share had no par value, the proportion of the paid-up capital of the corporation, immediately before the redemption or acquisition of the share, with respect to the class of shares to which the share belongs that 1 is of the number of issued shares.
of the class immediately before the redemption or acquisition of the share,

and the premium is the amount of the excess.

(4) Notwithstanding anything contained in subsection 1, the undistributed income of a life insurance corporation on hand at any time means the amount that is at the credit of its shareholders' account at that time.

(5) For the purpose of paragraph 1 of subsection 1, "loss" for a fiscal year means a loss computed by applying mutatis mutandis the provisions of this Part respecting the computation of the income of the corporation.

(6) Where subsection 1 is being applied to determine the undistributed income on hand of a corporation at a specified time in a fiscal year after a dividend has been deemed by section 54 to have been received from the corporation in the fiscal year, the undistributed income on hand at the specified time is the undistributed income on hand of the corporation determined in accordance with the terms of subsection 1 minus the amount of the dividends that have been so deemed to have been received from the corporation at a previous time in the fiscal year.

(7) Where in the case of a corporation referred to in subsection 8 of section 57 as a "predecessor corporation" subsection 1 is being applied to determine the undistributed income of the corporation on hand at any specified time after such time after 1954 as all or substantially all of the property of the corporation described in subsection 8 of section 57 has been acquired as described in that subsection, there shall not be included in the amount or amounts deductible under any paragraph of subsection 1 any amount in respect of expenses incurred by the corporation included in the aggregate determined under clause e of subsection 8 of section 57.

(8) For the purpose of paragraph 3 of subsection 1, (a) where depreciable property of a corporation as defined by subsection 4 of section 31 has been disposed of in 1949 or a subsequent fiscal year, the capital loss arising from the disposition shall be deemed not to be more than the actual capital cost of the property to the corporation minus the capital cost thereof as determined for the purpose of section 31; and
(b) where depreciable property of a corporation as defined by subsection 4 of section 31 has been disposed of in 1949 or a subsequent fiscal year, the capital profit or gain arising from the disposition shall be deemed not to be more than the proceeds of the disposition as defined in that subsection minus the capital cost of the property to the corporation as determined for the purpose of section 31.

Idem

(9) Where in the calculation of the undistributed income on hand of a corporation at any time there have been included in,

(a) computing the amount determined by paragraph 5 of subsection 1; or

(b) computing the amount by which the undistributed income on hand is deemed to be reduced by virtue of subsection 4 of section 54,

amounts that were not included in computing the income of the shareholders but that would have been so included if it were not for section 42, and the aggregate of those amounts exceeds the aggregate of the incomes of the corporation that were by section 42 deemed to have been distributed to its shareholders, the undistributed income of the corporation on hand at that time shall be deemed to be the amount that it would be if the aggregate of the deductions permitted by paragraphs 1 to 5 of subsection 1 were reduced by an amount equal to the excess.

Farming loss

(10) In the computation of a loss for the purpose of paragraph 1 of subsection 1, there shall not be included a loss sustained by a corporation in its farming business for a fiscal year in respect of which the Treasurer has determined under section 24 that the chief source of income of the corporation is neither farming nor a combination of farming and some other source of income except to the extent that the loss has been deducted in computing taxable income for a fiscal year under paragraph 3 of subsection 1 of section 39.

Idem

(11) Where the Treasurer has determined under section 24 that the chief source of income of a corporation for a fiscal year is neither farming nor a combination of farming and some other source of income, no expense or disbursement shall be included in the amount deductible under paragraph 2 of subsection 1 if the amount thereof is included in the computation of a loss sustained by the corporation for the fiscal year in its farming business.
(12) For the purpose of computing the undistributed income on hand of a corporation under subsection 1, the income of the corporation for a fiscal year shall, if subsection 4 of section 56 was applicable in the computation thereof, be deemed to be the amount that it would have been if subsection 4 of section 56 had not been applicable.

(13) Where more than 50 per cent of the issued share capital of a corporation has, between a time when the corporation ceased to carry on active business and a time when it commenced to carry on active business again, been acquired by a person or persons who did not own any of the shares in the corporation at the time when it so ceased to carry on active business, if the corporation had no undistributed income on hand at the latter time, the reference in subsection 1 to “the fiscal year that ended in 1917” shall be deemed to be a reference to the fiscal year in which the corporation so commenced to carry on active business again.

(14) A person who has a right under a contract, in equity or otherwise, either immediately or in the future and either absolutely or contingently, to, or to acquire, shares in a corporation shall be deemed for the purpose of subsection 13 to have acquired the shares at the time he acquired the right.

(15) Where all of the assets and liabilities of an insurance corporation incorporated under or pursuant to the laws of a province, hereinafter in this subsection referred to as the “old corporation”, have at a time when the corporation had undistributed income on hand been acquired by an insurance corporation incorporated under or pursuant to an Act of the Parliament of Canada, hereinafter in this subsection referred to as the “new corporation”, under an arrangement whereby it is contemplated that the new corporation will carry on the business formerly carried on by the old corporation, and the paid-up capital of the new corporation was not, at the time of the acquisition of such assets and liabilities, less than the paid-up capital of the old corporation at that time,

(a) the amount of the dividend deemed by section 54 to have been received at that time by each of the persons who held any of the shares of the old corporation at that time shall be deemed to be the amount otherwise so deemed to have been received at that time by each such person minus the amount paid up on the shares of the old corporation so held by him; and
(b) the undistributed income of the new corporation on hand immediately after that time as determined under subsection 1 shall be deemed to be the amount otherwise determined thereunder plus the amount of the undistributed income of the old corporation on hand immediately before that time. 1957, c. 17, s. 52.

**Mining**

56.—(1) In this section,

(a) "minerals" does not include petroleum or natural gas;

(b) "mining property" means a right to prospect, explore or mine for minerals or a property the principal value of which depends upon its mineral content;

(c) "prospector" means an individual who prospects or explores for minerals or develops a property for minerals on behalf of himself, on behalf of himself and others, or as an employee.

(2) An amount that would otherwise be included in computing the income for a fiscal year of a corporation that has, either under an arrangement with a prospector made before the prospecting, exploration or development work or as employer of the prospector, advanced money for or paid part or all of the expenses of prospecting or exploring for minerals or of developing a property for minerals shall not be included in computing the income of the corporation for the year if it is the consideration for,

(a) an interest in the mining property acquired under the arrangement under which the corporation made the advance or paid the expenses or, if the prospector was the employee of the corporation, acquired by the corporation through the prospector's efforts; or

(b) shares of the capital stock of another corporation received by the corporation in consideration for property described in clause a that the corporation disposed of to the corporation issuing the shares.

(3) Clause b of subsection 2 does not apply,

(a) in the case of a corporation that disposes of the shares while or after carrying on a campaign to sell the shares of the issuing corporation to the public; or
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(b) to shares acquired by the exercise of an option to purchase shares received as consideration for property described in clause a of subsection 2.

(4) Subject to the prescribed conditions, there shall not be included in computing the income of a corporation income derived from the operation of a mine during the period of thirty-six months commencing with the day on which the mine came into production.

(5) In subsection 4,

(a) "mine" does not include an oil well, gas well, brine well, sand pit, gravel pit, clay pit, shale pit or stone quarry, other than the deposit of oil shale or bituminous sand; and

(b) "production" means production in reasonable commercial quantities. 1957, c. 17, s. 53.

***Exploration, Prospecting and Development Expenses***

57.—(1) A corporation the principal business of which is production, refining or marketing of petroleum, petroleum products or natural gas or exploring or drilling for petroleum or natural gas may deduct in computing its income under this Part for a fiscal year the lesser of,

(a) the aggregate of such of the drilling and exploration expenses, including all general geological and geophysical expenses, incurred by it on or in respect of exploring or drilling for petroleum or natural gas in Canada as were incurred during the calendar years 1949 to 1952, to the extent that they were not deductible in computing income for a previous fiscal year; or

(b) of that aggregate, an amount equal to the income of the corporation for the fiscal year,

(i) if no deduction were allowed under clause b of subsection 2 of section 22, and

(ii) if no deduction were allowed under this section, minus the deductions allowed for the fiscal year by subsection 8 of this section and by subsection 1 of section 40. 1957, c. 17, s. 54 (1); 1958, c. 16, s. 22 (1).
(2) A corporation the principal business of which is mining or exploring for minerals may deduct in computing its income under this Part for a fiscal year the lesser of,

(a) the aggregate of such of the prospecting, exploration and development expenses incurred by it in searching for minerals in Canada as were incurred during the calendar year 1952, to the extent that they were not deductible in computing income of a previous fiscal year; or

(b) of that aggregate an amount equal to its income for the fiscal year,

(i) if no deduction were allowed under clause b of subsection 2 of section 22, and

(ii) if no deduction were allowed under this section,

minus the deductions allowed for the year by subsection 8 of this section and by subsection 1 of section 40,

if the corporation has filed certified statements of such expenses and has satisfied the Treasurer that it has been actively engaged in prospecting and exploring for minerals in Canada by means of qualified persons and has incurred these expenses for such purposes. 1957, c. 17, s. 54 (2); 1958, c. 16, s. 22 (2).

(3) A corporation the principal business of which is,

(a) production, refining or marketing of petroleum, petroleum products or natural gas, or exploring or drilling for petroleum or natural gas; or

(b) mining or exploring for minerals,

may deduct in computing its income under this Part for a fiscal year the lesser of,

(c) the aggregate of such of,

(i) the drilling and exploration expenses, including all general geological and geophysical expenses, incurred by it on or in respect of exploring or drilling for petroleum or natural gas in Canada, and
(ii) the prospecting, exploration and development expenses incurred by it in searching for minerals in Canada,

as were incurred after the calendar year 1952 and before the end of the fiscal year, to the extent that they were not deductible in computing income for a previous fiscal year; or

(d) of that aggregate, an amount equal to its income for the fiscal year,

(i) if no deduction were allowed under clause b of subsection 2 of section 22, and

(ii) if no deduction were allowed under this section,

minus the deductions allowed for the fiscal year by subsections 1, 2 and 8 of this section and by subsection 1 of section 40. 1957, c. 17, s. 54 (3); 1958, c. 16, s. 22 (3).

(4) In computing a deduction under subsection 1 or 3, no Limitation amount shall be included in respect of a payment for or in respect of a right, licence or privilege to explore for, drill for or take petroleum or natural gas other than an annual payment not exceeding $1 per acre. 1957, c. 17, s. 54 (4).

(5) Notwithstanding subsection 4, where a corporation the principal business of which is of the class described in clause a or b of subsection 3 has after 1952 paid an amount, other than a rental or royalty, to the Government of Canada or of a province for,

(a) the right to explore for petroleum or natural gas on a specified parcel of land in Canada, which right is, for greater certainty, declared to include a right of the type commonly referred to as a "licence", "permit" or "reservation"; or

(b) a legal lease of the right to take or remove petroleum or natural gas from a specified parcel of land in Canada,

and the corporation has, before any well came into production on the land in reasonable commercial quantities, surrendered all its rights so acquired, including, in respect of a right of the kind described in clause a, all rights thereunder to any lease and all rights under any lease made thereunder, without
receiving any consideration therefor or repayment of any part of the amount so paid, the amount so paid shall, for the purpose of subsection 3, be deemed to have been an expense incurred by the corporation as a drilling or exploration expense on or in respect of exploring or drilling for petroleum or natural gas in Canada during the fiscal year in which its rights were so surrendered. 1959, c. 20, s. 16 (1).

(6) For the purpose of this section, it is hereby declared that expenses incurred by a corporation on or in respect of exploring or drilling for petroleum or natural gas in Canada or in searching for minerals in Canada do not and never did include expenses so incurred by that corporation pursuant to an agreement under which it undertook to incur those expenses in consideration for,

(a) shares of the capital stock of a corporation that owned or controlled the mineral rights;

(b) an option to purchase shares of the capital stock of a corporation that owned or controlled the mineral rights; or

(c) a right to purchase shares of the capital stock of a corporation that was to be formed for the purpose of acquiring or controlling the mineral rights. 1957, c. 17, s. 54 (6).

(7) Notwithstanding subsection 6, a corporation the principal business of which is,

(a) production, refining or marketing of petroleum, petroleum products or natural gas and exploring or drilling for petroleum or natural gas; or

(b) mining or exploring for minerals,

may deduct in computing its income under this Part for a fiscal year the lesser of,

(c) the aggregate of such of,

(i) the drilling and exploration expenses, including all general geological and geophysical expenses, incurred by it on or in respect of exploring or drilling for petroleum or natural gas in Canada, and

(ii) the prospecting, exploration and development expenses incurred by it in searching for minerals in Canada,
as were incurred after the calendar year 1953 and before the end of the fiscal year,

(iii) pursuant to an agreement under which it undertook to incur those expenses for a consideration mentioned in clause a, b or c of subsection 6, and

(iv) to the extent that they were not deductible in computing income for a previous fiscal year; or

(d) of that aggregate, an amount equal to its income for the fiscal year,

(i) if no deduction were allowed under clause b of subsection 2 of section 22, and

(ii) if no deduction were allowed under this subsection,

minus any deduction allowed for the fiscal year by subsection 1 of section 40,

but where a corporation has incurred expenses the deduction of which from income for a fiscal year is authorized by this subsection, no deduction in respect of those expenses may be made under this section in computing the income of any other corporation for that or any other fiscal year. 1957, c. 17, s. 54 (7); 1958, c. 16, s. 22 (4).

(8) Notwithstanding subsection 7, where a corporation, Property acquired by successor corporation hereinafter in this subsection referred to as the "successor corporation", the principal business of which is,

(a) production, refining or marketing of petroleum, petroleum products or natural gas, or exploring or drilling for petroleum or natural gas; or

(b) mining or exploring for minerals,

has, at any time after 1954, acquired from a corporation, hereinafter in this subsection referred to as the "predecessor corporation", the principal business of which was production, refining or marketing of petroleum, petroleum products or natural gas, exploring or drilling for petroleum or natural gas, or mining or exploring for minerals, all or substantially all of the property of the predecessor corporation used by it in carrying on that business in Canada,
(c) pursuant to the purchase of such property by the successor corporation in consideration of shares of the capital stock of the successor corporation; or

(d) as a result of the distribution of such property to the successor corporation upon the winding-up of the predecessor corporation subsequent to the purchase of all or substantially all of the shares of the capital stock of the predecessor corporation by the successor corporation in consideration of the shares of the capital stock of the successor corporation,

there may be deducted by the successor corporation in computing its income under this Part for a fiscal year the lesser of,

(e) the aggregate of,

(i) the drilling and exploration expenses, including all general geological and geophysical expenses, incurred by the predecessor corporation on or in respect of exploring or drilling for petroleum or natural gas in Canada, and

(ii) the prospecting, exploration and development expenses incurred by the predecessor corporation in searching for minerals in Canada,

to the extent that such expenses,

(iii) were not deductible by the successor corporation in computing its income for a previous fiscal year and were not deductible by the predecessor corporation in computing its income for the fiscal year in which the property so acquired was acquired by the successor corporation or its income for a previous fiscal year, and

(iv) would, but for the provisions of clause b of subsection 1, clause b of subsection 2, clause d of subsection 3 and clause d of subsection 7 or any of those clauses or this subsection, have been deductible by the predecessor corporation in computing its income for the fiscal year in which the property so acquired was acquired by the successor corporation; or
(f) of that aggregate, an amount equal to such part of its income for the year,

(i) if no deduction were allowed under clause b of subsection 2 of section 22, and

(ii) if no deduction were allowed under this section,

minus any deduction allowed for the fiscal year by subsection 1 of section 40, as may reasonably be regarded as attributable to the production of petroleum or natural gas from wells, or the production of minerals from mines, situated on property from which the predecessor corporation had, immediately before the acquisition by the successor corporation of the property so acquired, a right to take or remove petroleum or natural gas or a right to take or remove minerals,

and, in respect of such expenses included in the aggregate determined under clause e, no deduction may be made under this section by the predecessor corporation in computing its income for the fiscal year in which the property so acquired was acquired by the successor corporation or its income for any subsequent fiscal year. 1957, c. 17, s. 54 (8); 1958, c. 16, s. 22 (5, 6).

(9) A reference in subsection 3, 5, 7 or 8 to a corporation, the principal business of which is mining or exploring for minerals, shall, for the purposes of this section and subsection 7 of section 55, be deemed to include a reference to a corporation, the principal business of which is processing mineral ores for the purpose of recovering metals therefrom or a combination of,

(a) processing mineral ores for the purpose of recovering metals therefrom; and

(b) processing metals recovered from the ores so processed;

but in making applicable this section and subsection 7 of section 55 to any such corporation there shall be substituted,

(c) for the references, respectively, in subsections 3, 5, 7 and 8 to the years 1952, 1952, 1953 and 1954, a reference in each case to the year 1956; and
(d) for the reference in subsection 7 of section 55 to the year 1954, a reference to the year 1956. 1958, c. 16, s. 22 (7).

(10) For the purposes of this section and section 65, "drilling and exploration expenses" incurred on or in respect of exploring or drilling for petroleum or natural gas in Canada includes expenses incurred on or in respect of,

(a) drilling or converting a well for the disposal of waste liquids from a petroleum or natural gas well in Canada;

(b) drilling for water or gas for injection into a petroleum or natural gas formation in Canada; and

(c) drilling or converting a well for the injection of water or gas to assist in the recovery of petroleum or natural gas from another well in Canada. 1959, c. 20, s. 16 (2).

(11) Where a corporation has incurred expenses that may be deducted from income under more than one provision of this section, it is not entitled to make the deduction under more than one provision but is entitled to select the provision under which to make the deduction.

(12) Where expenses are or have been under this section or corresponding sections of Acts referred to in subsection 12 of section 83A of the Income Tax Act (Canada) deductible from or in computing the income of the corporation, or where any amount is or has been deductible in respect of the expenses under any of those provisions from taxes otherwise payable, it is hereby declared that no amount in respect of the same expenses is or has been deductible under any other authority in computing the income or from the income of that corporation or any other corporation for that fiscal year or any other fiscal year. 1957, c. 17, s. 54 (9, 10).

Crown Corporations

58.—(1) Where a corporation to which the exemptions provided by subsection 37 of section 4, subsection 17 of section 5 and the specially reduced tax provided by subsection 8 of section 6 would otherwise apply is prescribed by regulation, such exemptions and specially reduced tax do not apply. 1959, c. 20, s. 17 (1)

(2) Where a corporation prescribed in the regulations has acquired depreciable property before the commencement of
the first fiscal year commencing after 1951, for the purpose of section 31 and the regulations made under clause a of subsection 2 of section 22, that property shall be deemed to have been acquired at a capital cost equal to the amount that according to the books of the corporation was its value at the commencement of that fiscal year. 1957, c. 17, s. 55 (2); 1958, c. 16, s. 23.

(3) For the purpose of computing a deduction under paragraph 3 of subsection 1 of section 39, a corporation prescribed in the regulations shall be deemed not to have had income or a loss for a fiscal year before the first fiscal year commencing after 1951. 1957, c. 17, s. 55 (3).

(4) Where land has been transferred to a corporation prescribed in the regulations for the purpose of disposition, the acquisition of the property by the corporation and any disposition thereof shall be deemed not to have been in the course of the business carried on by the corporation. 1957, c. 17, s. 55 (4); 1959, c. 20, s. 17 (2).

**Railway Companies**

59.—(1) Notwithstanding subsection 2 of section 58, where property of the following description, namely,

(a) railway track or railway track grading; or

(b) a crossing,

has before 1956 been acquired by a corporation, that property shall for the purposes of section 31 and the regulations made under clause a of subsection 2 of section 22 be deemed to have been acquired at a capital cost equal to the amount that according to the books of the corporation was its value at the close of its fiscal year ending in 1955. 1957, c. 17, s. 56 (1); 1958, c. 16, s. 24 (1).

(2) For the purpose of this section, in determining the amount that according to the books of the corporation was the value of any property at the close of its fiscal year ending in 1955, no amount shall be included in respect of property that at that time was leased from any other person. 1957, c. 17, s. 56 (2).

(3) Where any amount in respect of an expenditure incurred by a corporation on or in respect of the repair, replacement, alteration or renovation of depreciable property of the corporation of a class prescribed by the regulations made
for the purpose of this section is, under any uniform classification and system of accounts and returns prescribed by the Board of Transport Commissioners for Canada pursuant to the Railway Act (Canada), required to be entered in the books of the corporation otherwise than as an expense,

(a) no deduction may be made in respect of that expenditure in computing the income of the corporation for a fiscal year; and

(b) for the purpose of section 31 and the regulations made under clause a of subsection 2 of section 22, the corporation shall be deemed to have acquired at the time the expenditure was incurred depreciable property of that class at a capital cost equal to that amount. 1957, c. 17, s. 56 (3); 1958, c. 16, s. 24 (2).

(4) In this section, "crossing" means any railway crossing of a highway, or any highway crossing of a railway, and every manner of construction of the railway or of the highway by the elevation or depression of the one above or below the other, or by the diversion of one or the other, and any work ordered or authorized by the Board of Transport Commissioners for Canada to be provided as one work for the protection, safety and convenience of the public in respect of one or more railways of as many tracks crossing or so crossed as the Board of Transport Commissioners for Canada in its discretion determines. 1957, c. 17, s. 56 (4).

Special Reserves

60.—(1) In computing the income of a corporation for a fiscal year,

(a) every amount received in the fiscal year in the course of a business,

(i) that is on account of services not rendered or goods not delivered before the end of the fiscal year or that for any other reason may be regarded as not having been earned in the fiscal year or a previous fiscal year, or

(ii) under an arrangement or understanding that it is repayable in whole or in part on the return or resale to the corporation of articles in or by means of which goods were delivered to a customer,

shall be included;
(b) every amount receivable in respect of property sold or services rendered in the course of the business in the fiscal year shall be included notwithstanding that the amount is not receivable until a subsequent fiscal year unless the method adopted by the corporation for computing income from the business and accepted for the purpose of this Part does not require the corporation to include any amount receivable in computing its income for a fiscal year unless it has been received in that fiscal year;

(c) subject to subsection 3, where amounts of a class described in subclause i or ii of clause a have been included in computing the income of a corporation from a business for the fiscal year or a previous fiscal year, there may be deducted a reasonable amount as a reserve in respect of,

(i) goods that it is reasonably anticipated will have to be delivered after the end of the fiscal year,

(ii) services that it is reasonably anticipated will have to be rendered after the end of the fiscal year,

(iii) periods for which rent or other amounts for the possession or use of land or chattels have been paid in advance, or

(iv) repayments under arrangements or understandings of the class described in subclause ii of clause a that it is reasonably anticipated will have to be made after the end of the fiscal year on the return or resale to the corporation of articles other than bottles;

(d) where an amount has been included in computing the income of a corporation from its business for the fiscal year or for a previous fiscal year in respect of property sold in the course of the business and that amount or a part thereof is not receivable until a day,

(i) more than two years after the day on which the property was sold, and

(ii) after the end of the fiscal year,

there may be deducted a reasonable amount as a reserve in respect of that part of the amount so
included in computing the income that can reasonably be regarded as a portion of the profit from the sale; and

(e) there shall be included the amounts deducted under clauses c and d in computing the income of the corporation for the immediately preceding fiscal year. 1957, c. 17, s. 57 (1); 1958, c. 16, s. 25; 1960, c. 14, s. 13.

(2) Clauses a and b of subsection 1 are enacted for greater certainty and shall not be construed as implying that any amount not referred to therein is not to be included in computing the income from a business for a fiscal year whether or not it is received or receivable in the fiscal year.

(3) Where an amount is deductible in computing income for a fiscal year under clause c of subsection 1 as a reserve in respect of,

(a) articles of food or drink that it is reasonably anticipated will have to be delivered after the end of the fiscal year; or

(b) transportation that it is reasonably anticipated will have to be provided after the end of the fiscal year,

there shall be substituted for the amount determined thereunder an amount not exceeding the aggregate of the amounts included in computing the income of the corporation from the business for the fiscal year that were received or receivable, depending upon the method regularly followed by the corporation in computing its profit, in the fiscal year in respect of,

(c) articles of food or drink not delivered before the end of the fiscal year; or

(d) transportation not provided before the end of the fiscal year,

as the case may be.

(4) Clause c of subsection 1 does not apply to allow a deduction as a reserve in respect of guarantees, indemnities or warranties.

(5) Clause c of subsection 1 does not apply to allow a deduction as a reserve in respect of insurance, but an insurance corporation, other than a life insurance corporation, may in computing its income from its insurance business for a fiscal
year deduct as policy reserves such amounts as have been approved for the purpose of this subsection by the Treasurer.

(6) Clause (c) of subsection 1 does not apply to allow a Unearned commission deduction to an insurance agent or broker in respect of unearned commissions, but a corporation may in computing its income from a business as an insurance agent or a broker for a fiscal year deduct as a reserve in respect of unearned commissions an amount equal to the proportion of an amount that has been included in computing its income for the fiscal year or a previous fiscal year as a commission in respect of an insurance contract, other than a life insurance contract, that,

(a) the number of days in that portion of the period provided for in the insurance contract that is after the end of the fiscal year,

is of,

(b) the whole of that period. 1957, c. 17, s. 57 (2-6).

(7) Clause (c) of subsection 1 does not apply to allow a Cash method of deduction in computing the income of a corporation for a fiscal year from a business in any case where the income of the corporation for the fiscal year from that business is computed in accordance with the method authorized by subsection 1 of section 63. 1959, c. 20, s. 18.

(8) For the purpose of clause (e) of subsection 1, an amount determined under subsection 3 or an amount deducted under subsection 5 or 6 shall be deemed to have been deducted under clause (c) of subsection 1. 1957, c. 17, s. 57 (7).

Accounts Receivable

61.-(1) Where a person who has been carrying on a business has in a fiscal year sold all or substantially all the property used in carrying on the business, including the debts that had been or will be included in computing his income for that fiscal year or a previous fiscal year and that are still outstanding, to a purchaser who proposes to continue the business that the vendor has been carrying on, if the vendor and the purchaser have executed jointly an election in the prescribed form to have this section apply, the following applies:

1. There may be deducted in computing the income of the vendor for the fiscal year an amount equal to
the difference between the face value of the debts so sold, other than debts in respect of which the vendor has made deductions under clause (i) of subsection 1 of section 22 and the consideration paid by the purchaser to the vendor for the debts so sold.

2. An amount equal to the difference described in paragraph 1 shall be included in computing the income of the purchaser for the fiscal year.

3. The debts so sold shall be deemed for the purpose of clauses (h) and (i) of subsection 1 of section 22 to have been included in computing the income of the purchaser for the fiscal year or a previous fiscal year, but no deduction may be made by the purchaser under clause (i) of subsection 1 of section 22 in respect of a debt in respect of which the vendor has previously made a deduction.

4. Each amount deducted by the vendor in computing income for a previous fiscal year under clause (i) of subsection 1 of section 22 in respect of any of the debts so sold shall be deemed for the purpose of clause (f) of section 17 to have been so deducted by the purchaser.

(2) An election executed for the purpose of subsection 1 shall contain a statement by the vendor and the purchaser jointly as to the consideration paid for the debts sold by the vendor to the purchaser and that statement is, as against the Treasurer, binding upon the vendor and the purchaser in so far as it may be relevant in respect of any matter arising under this Act. 1957, c. 17, s. 58.

Sale of Inventory

62.—(1) Where upon or after disposing of or ceasing to carry on a business or a part of a business a corporation has sold all or any part of the property that was included in the inventory of the business, the property so sold shall for the purposes of this Part be deemed to have been sold by the corporation,

(a) during the last fiscal year in which the corporation carried on the business or part of the business; and

(b) in the course of carrying on the business.

(2) Where a person who has been carrying on a business has sold all or part of the property that was included in the
inventory of the business, whether or not he has disposed of or ceased to carry on that business or a part of that business, to a person who has used all or part of the property so sold as inventory of a business carried on or to be carried on by the purchaser, and the amount of the consideration paid by the purchaser is, in part, consideration for the property so sold and, in part, consideration for something else, the following applies:

1. Such part of the consideration as the vendor and the purchaser have in writing agreed to be the price paid for the property so sold shall be deemed, both for the purpose of computing income from the business of the vendor and for the purpose of computing income from the business of the purchaser, to be the price so paid.

2. Where an agreement as contemplated by paragraph 1 has not been filed with the Treasurer within sixty days after notice in writing by the Treasurer has been forwarded to the vendor and the purchaser that such an agreement is required for the purpose of any assessment of tax under this Act, such part of the consideration paid as is fixed by the Treasurer shall be deemed to be the price agreed upon by them as the price paid for the properties so sold.

(3) A reference in this section to property that was included in the inventory of a business shall be deemed to include a reference to property that would have been so included if the income from the business had not been computed in accordance with the method authorized by subsection 1 of section 63.

(4) Where an amount is included in computing the income of a corporation for a fiscal year by virtue of this section, the corporation may elect to pay as tax for the fiscal year under section 4, in lieu of the amount that would otherwise be payable, an amount equal to the aggregate of,

(a) the tax that would be payable by the corporation for the fiscal year under section 4 if no amount were included in computing its income for the fiscal year by virtue of this section; and

(b) the aggregate of the amounts by which the tax payable under section 4 would have been increased if one-third of the amount so included by virtue of this section had been included in computing the income of the corporation for each of the three
fiscal years ending with the last fiscal year in which it carried on the business or the part of the business referred to in subsection 1,

and in any such case the election is not valid unless the corporation was during each of those three years carrying on that business. 1957, c. 17, s. 59.

Special Method of Computing Income: 
Sale of Accounts Receivable

63.—(1) For the purpose of computing the income of a corporation for a fiscal year from the business of farming, the income from the business for that fiscal year shall, if the corporation so elects under subsection 1 of section 85F of the Income Tax Act (Canada), be computed in accordance with a method hereinafter in this section referred to as the “cash” method, whereby the income therefrom for that fiscal year shall be deemed to be an amount equal to,

(a) the aggregate of all amounts that,

(i) were received in the fiscal year, or are deemed by this Act to have been received in that fiscal 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 fiscal year,

minus,

(b) the aggregate of all amounts that,

(i) were paid in the fiscal year, or are deemed by this Act to have been paid in the fiscal 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 fiscal year,

and minus any deduction for the fiscal year permitted by clause a of subsection 2 of section 22. 1957, c. 17, s. 60 (1); 1958, c. 16, s. 26; 1959, c. 20, s. 19; 1960, c. 14, s. 14.
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(2) Subsection 1 does not apply for the purpose of computing the income of a corporation for a fiscal year from a business carried on by it jointly with one or more other persons, unless each of the other persons by whom the business is jointly carried on has elected to have his income from the business for that fiscal year computed in accordance with the method authorized by subsection 1 of section 85F of the Income Tax Act (Canada).

(3) Where a corporation has filed a return under this Act for a fiscal year wherein its income for that fiscal year from the business of farming has been computed in accordance with the method authorized by subsection 1, income from the business for a subsequent fiscal year shall subject to other provisions of this Part be computed in accordance with that method unless the corporation, with the concurrence of the Treasurer and upon such terms and conditions as are specified by the Treasurer, adopts some other method.

(4) There shall be included in computing the income of a corporation for a fiscal year such part of an amount received by it in the fiscal year, upon or after disposing of or ceasing to carry on a business or part of a business, for, on account or in lieu of payment of, or in satisfaction of debts owing to the corporation that arose in the course of carrying on the business as would have been included in computing the income of the corporation for the fiscal year had the amount so received been received by it in the course of carrying on the business.

(5) Subsection 4 of section 62 applies mutatis mutandis where any amount is included in computing the income of a corporation for a fiscal year by virtue of subsection 4.

Mortgage Reserves

64. In computing the income for a fiscal year of a corporation the business of which includes the lending of money on the security of a mortgage, hypothec or agreement of sale of real property,

(a) there may be deducted as a reserve, in lieu of any deduction under clause h of subsection 1 of section 22, the lesser of,

(i) 3 per cent of the aggregate of,

(A) each amount outstanding at the end of the fiscal year as or on account of the principal amount of loans made by
the corporation on the security of a mortgage, hypothec or agreement of sale of real property, or as or on account of the principal amount of any such mortgage, hypothec or agreement of sale purchased by the corporation,

(B) each amount due and unpaid at the end of the fiscal year or on account of interest payable to the corporation under a mortgage, hypothec or agreement of sale of real property, and

(C) each amount that has been taken into account in computing the income of the corporation for the fiscal year as or on account of the value of real property of the corporation that was included in the inventory of the corporation at the end of the fiscal year and that was acquired by foreclosure or otherwise after default made under a mortgage, hypothec, agreement of sale of real property, otherwise than as or on account of the value of real property in respect of which any amount for the fiscal year has been included under paragraph A or B,

or

(ii) the amount if any deducted under this clause as a reserve in computing the income of the corporation for the immediately preceding fiscal year, plus one-twelfth of the amount determined under subclause i,

but no deduction may be made under this clause as a reserve in respect of loans made on the security of a mortgage or hypothec under the National Housing Act, 1954 (Canada) or any of the Housing Acts as defined in clause e of section 2 of the Central Mortgage and Housing Corporation Act (Canada); and

(b) there shall be included the amount deducted under clause a as a reserve in computing the income of the corporation for the immediately preceding fiscal year. 1957, c. 17, s. 61; 1959, c. 20, s. 20.
Amalgamation of Corporations

65.—(1) In this section, an amalgamation of two or more corporations means a merger of such corporations, each of which is in this section referred to as a "predecessor corporation", to form one corporate entity in this section referred to as the "new corporation", in such manner that,

(a) all of the property of the predecessor corporations immediately before the amalgamation becomes property of the new corporation by virtue of the amalgamation;

(b) all of the liabilities of the predecessor corporations immediately before the amalgamation become liabilities of the new corporation by virtue of the amalgamation; and

(c) all of the shareholder, except a predecessor corporation, of the predecessor corporations immediately before the amalgamation become shareholders of the new corporation by virtue of the amalgamation, otherwise than as a result of the acquisition of property of one corporation by another corporation pursuant to the purchase of such property by the other corporation or as the result of the distribution of such property to the other corporation upon the winding-up of the corporation. 1959, c. 20, s. 21, part.

(2) Where there has been an amalgamation of two or more corporations, the following applies:

1. For the purposes of this Act, the first fiscal year of the new corporation shall be deemed to have commenced at the time of the amalgamation, and a fiscal year of a predecessor corporation that would otherwise have ended after the amalgamation shall be deemed to have ended immediately before the amalgamation.

2. For the purpose of computing the income of the new corporation for its first fiscal year, where the property described in its inventory, if any, at the commencement of that fiscal year includes,

(a) property that was described in the inventory of a predecessor corporation at the end of its...
fiscal year that ended immediately before the amalgamation, which fiscal year is in this section referred to as its "last fiscal year"; or

(b) property that would have been described in the inventory of the predecessor corporation at the end of its last fiscal year if its income for that fiscal year had not been computed in accordance with the method authorized by subsection 1 of section 63,

the property so included shall be deemed to have been acquired by the new corporation at the commencement of its first fiscal year for an amount determined in accordance with section 25 as the value thereof for the purpose of computing the income of the predecessor corporation for its last fiscal year, except that, where the income of the predecessor corporation for its last fiscal year was computed in accordance with the method authorized by subsection 1 of section 63, the amount so determined shall be deemed to be nil.

3. Where the method adopted by the new corporation for computing its income for a fiscal year is not the same as the method adopted by a predecessor corporation for computing its income for its last fiscal year or a previous fiscal year, in computing the income of the new corporation for that fiscal year,

(a) there shall be included any amount received by it in that fiscal year in payment of or on account of a debt owing to the predecessor corporation that would, if it had been received by the predecessor corporation in its last fiscal year, have been included in computing the income of the predecessor corporation for that fiscal year; and

(b) there may be deducted any amount paid by it in that fiscal year in payment of or on account of a debt owing by the predecessor corporation that would, if it had been paid by the predecessor corporation in its last fiscal year, have been deductible in computing the income of the predecessor corporation for that fiscal year.
4. For the purpose of clause \( a \) of subsection 2 of section 22 and section 31,

(a) where depreciable property is acquired by the new corporation from a predecessor corporation, the capital cost of the depreciable property to the new corporation shall be deemed to be the amount that was the capital cost thereof to the predecessor corporation; and

(b) in determining the undepreciated capital cost to the new corporation of depreciable property of a prescribed class at any time,

(i) there shall be added to the capital cost to the new corporation of depreciable property of that class acquired before that time the undepreciated capital cost to each of the predecessor corporations of depreciable property of that class immediately before the amalgamation, and

(ii) there shall be subtracted from the capital cost to the new corporation of depreciable property of that class acquired before that time the capital cost to the new corporation of depreciable property of that class acquired by virtue of the amalgamation.

5. For the purpose of computing the income of the new Reserves corporation for a fiscal year, any amount that has been deducted as a reserve under clause \( h \) of subsection 1 of section 22, section 60 or section 64 in computing the income of a predecessor corporation for its last fiscal year shall be deemed to have been deducted as a reserve thereunder in computing the income of the new corporation for a fiscal year immediately preceding its first fiscal year.

6. For the purpose of computing a deduction from the Debts income of the new corporation for a fiscal year under clause \( h \) or \( i \) of subsection 1 of section 22 or section 64, where any debt owing to a predecessor corporation,

(a) that was included in computing the income of the predecessor corporation for its last fiscal year or a previous fiscal year; or
(b) that arose from a loan made in the ordinary course of business by the predecessor corporation, part of the ordinary business of which was the lending of money,

has, by virtue of the amalgamation, been acquired by the new corporation, the amount thereof shall be deemed to be a debt owing to the new corporation that was included in computing the income of the new corporation for a previous fiscal year or that arose from a loan so made by it, as the case may be.

7. For the purpose of paragraph 1 of subsection 1 of section 39, gifts made by a predecessor corporation in its last fiscal year shall, to the extent that they were not deductible in computing its taxable income for that fiscal year, be deemed to have been made by the new corporation in a fiscal year immediately preceding its first fiscal year.

8. For the purpose of paragraph 3 of subsection 1 of section 39, business losses sustained by a predecessor corporation are not deductible in computing the taxable income of the new corporation.

9. For the purpose of computing the undistributed income of the new corporation on hand at any time, where a predecessor corporation had undistributed income on hand immediately before the amalgamation, the amount thereof shall be added to the amount determined under subsection 1 of section 55 from which the aggregate of the amounts referred to in paragraphs 1 to 6 thereof is to be subtracted. 1959, c. 20, s. 21, part; 1960, c. 14, s. 15.

(3) Notwithstanding subsection 7 of section 57, where there has been an amalgamation of two or more corporations after the year 1957 and the principal business of the new corporation is,

(a) production, refining or marketing of petroleum, petroleum products or natural gas, or exploring or drilling for petroleum or natural gas;

(b) mining or exploring for minerals;

(c) processing mineral ores for the purpose of recovering metals therefrom; or
(d) a combination of processing mineral ores for the purpose of recovering metals therefrom and processing metals recovered from the ore so processed, there may be deducted by the new corporation in computing its income for a fiscal year the aggregate of the following amounts in respect of expenses incurred by predecessor corporations, namely, in respect of each individual predecessor corporation, an amount that is the lesser of,

(e) the aggregate of,

(i) the drilling and exploration expenses, including all general geological and geophysical expenses, incurred by the predecessor corporation on or in respect of exploring or drilling for petroleum or natural gas in Canada, and

(ii) the prospecting, exploration and development expenses incurred by the predecessor corporation in searching for minerals in Canada,

to the extent that such expenses,

(iii) were not deductible by the new corporation in computing its income for a previous fiscal year and were not deductible by the predecessor corporation in computing its income for its last fiscal year or its income for a previous fiscal year, and

(iv) would, but for the provisions of clause b of subsection 1 of section 57, clause b of subsection 2 of section 57, clause d of subsection 3 of section 57 and clause d of subsection 7 of section 57, or any of those clauses, have been deductible by the predecessor corporation in computing its income for its last fiscal year; or

(f) of the aggregate determined under clause e, an amount equal to such part of the income of the new corporation for the fiscal year,

(i) if no deduction were allowed under clause b of subsection 2 of section 22, and

(ii) if no deduction were allowed under this section,

minus any deduction allowed for the fiscal year by subsection 1 of section 40, as may reasonably be
regarded as attributable to the production of petroleum or natural gas from wells, or the production of minerals from mines, situated on property from which the predecessor corporation had, immediately before the amalgamation, a right to take or remove petroleum or natural gas or a right to take or remove minerals,

and no amount in respect of expenses of the predecessor corporation included in the aggregate determined under clause e shall, where subsection 1 of section 55 is being applied to determine for the purpose of rule 1 of subsection 2 of this section the undistributed income of the predecessor corporation on hand immediately before the amalgamation, be included in the amount or amounts deductible under any paragraph of subsection 1 of section 55. 1959, c. 20, s. 21, part. 66.

Where under a contract, will or trust made or created before the 14th day of May, 1953, a person is required to make a payment to a corporation and is required by the terms of the contract, will or trust to pay an additional amount measured by reference to tax payable by such corporation under Part I of the *Income Tax Act* (Canada) and Part II of this Act by reason of the payment,

(a) the tax payable by the corporation under Part II of this Act for the fiscal year in or in respect of which such a payment is made or becomes payable is the amount that the tax of the corporation under Part II of this Act would be if no amount under the contract were included in computing its income for the fiscal year plus,

(i) the amount by which its tax under Part II of this Act would be increased by including in computing its income,

(A) the payment, and

(B) the amount by which its tax under Part I of the *Income Tax Act* (Canada) would be increased by including the payment in computing its income, and

(ii) the amount by which the tax of the corporation under Part II of this Act would be further increased by including, in computing its income for the fiscal year, the amount fixed by subclause i or the additional payment, whichever is the lesser; and
(b) if the person required to make the payments is a corporation and would otherwise be entitled to deduct the amounts payable under such a contract in computing its income for a fiscal year, such corporation is not entitled to deduct the amount determined under subclause ii of clause a. 1959, c. 20, s. 22; 1960, c. 14, s. 16.

PART IV

COMPUTATION OF PAID-UP CAPITAL

DIVISION A—TAXABLE PAID-UP CAPITAL

67. The taxable paid-up capital of a corporation shall be measured as at the close of the fiscal year for which the tax imposed by section 5 is levied and is its paid-up capital minus the deductions permitted by Division C. 1957, c. 17, s. 62.

DIVISION B—COMPUTATION OF PAID-UP CAPITAL

68. The paid-up capital of a corporation for a fiscal year is its paid-up capital as it stood at the close of the fiscal year and includes the paid-up capital stock of the corporation, its earned, capital and any other surplus, all its reserves, whether created from income or otherwise, except any reserve the creation of which is allowed as a charge against income under Part III, all sums or credits advanced or loaned to the corporation by any other corporation, excluding a bank, and all its indebtedness, whether assumed or undertaken by it, represented by bonds, bond mortgages, debentures, income bonds, income debentures, mortgages, lien notes and any other securities to which the property of the corporation or any of it is subject. 1957, c. 17, s. 63.

DIVISION C—COMPUTATION OF TAXABLE PAID-UP CAPITAL

69. (1) For the purpose of computing the taxable paid-up capital of a corporation for a fiscal year, there may be deducted from its paid-up capital as at the close of the fiscal year such of the following amounts as are applicable:

(a) the amount of the goodwill or other intangible thing included as an asset to the extent that such goodwill or other intangible thing in the opinion of the Treasurer has no value, but this deduction applies
to no more than 50 per cent of the book value of such goodwill or other intangible thing;

(b) the amount of the discount allowed on the sale of the shares of a corporation to which Part IV of The Corporations Act applies;

(c) the amount that equals that proportion of the paid-up capital remaining after the deduction of the amounts provided by clauses (a) and (b), which the cost of the investments made by the corporation in the shares and bonds of other corporations, in loans and advances to other corporations and in the bonds, debentures and other securities of any government, municipal or school corporation bears to the total assets of the corporation remaining after the deductions of the amounts provided by clauses (a) and (b), but cash on deposit with any corporation doing the business of a savings bank and amounts due by a corporation with its head office outside Canada to a subsidiary controlled corporation or a subsidiary wholly-owned corporation taxable under section 5 shall be deemed not to be loans and advances to other corporations;

(d) in the case of a corporation engaged in mining, the amount that equals that proportion of the paid-up capital remaining after the deduction of the amounts provided by clauses (a), (b) and (c) which the total of,

(i) the amount held or used in the survey for exploration and development of minerals,

(ii) the amount invested in the mine as defined by The Mining Tax Act,

(iii) the amount invested in the plant and works necessary to and forming part of such mine, and

(iv) the amount invested in the plant and works necessary for the refinement of the ore taken from the mine,

bears to the total assets remaining after the deduction of the amounts provided by clauses (a), (b) and (c).

(2) For the purpose of this Part, "total assets" includes any amount,
(a) by which any asset of a corporation is carried in its books of account or on its balance sheet in excess of the cost thereof;

(b) by which the value of an asset of a corporation has been written down and deducted from its income or undivided profits where such amount is not deductible under Part III,

and excludes any amount,

(c) by which the value of an asset of a corporation has been written down and deducted from its income or undivided profits where such amount is deductible under Part III. 1957, c. 17, s. 64.

(3) In computing the paid-up capital of a non-resident ship or aircraft corporation for a fiscal year, there shall not be included the amount of the paid-up capital invested in a ship or aircraft operated by such corporation in Canada if such corporation is entitled, in computing its income for a fiscal year, to exclude from the income for the fiscal year earned in Canada from the operation of such ship or aircraft under clause b of section 21. 1960, c. 14, s. 17.

70.—(1) Unless otherwise provided in this Act, any tax imposed by this Act shall be determined on the amount of the paid-up capital stock, mileage or other subject in respect of which the amount of the tax is to be ascertained as such stock, mileage or other subject stood at the close of the fiscal year of the corporation for which the tax is imposed.

(2) Any tax imposed by this Act that is to be calculated in respect of,

(a) the taxable income of a corporation;

(b) the numbers of places of business of a corporation; or

(c) the gross premiums that become payable to insurance corporations,

shall be calculated with reference to the taxable income earned, the maximum number of places of business open, the gross premiums that become payable, as the case may be, during the fiscal year of the corporation for which the respective tax is imposed. 1957, c. 17, s. 65.
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PART V

RETURNS, PAYMENTS, ASSESSMENTS AND APPEALS

DIVISION A—RETURNS

71.—(1) Every corporation on which a tax is imposed by this Act shall, on or before the last day of the month that ends six months following the close of its fiscal year, without notice or demand, and every corporation on which a tax is or is not imposed by this Act shall, upon receipt of a notice or demand in writing from the Treasurer or from any officer of the Treasury Department authorized by the Treasurer to make such demand, deliver to the Treasurer such return as is required for the purpose of carrying out the provisions of this Act.

(2) The return shall contain an estimate of the respective taxes payable and shall be verified by a certificate certifying that the financial statements included in the return or attached thereto are in agreement with the books of the corporation, and such certificate shall be signed by the president or some other officer having personal knowledge of the affairs of the corporation and, in the case of an extra-provincial corporation, by the manager or chief agent of the corporation in Ontario or by such other person or persons connected with the corporation as the Treasurer requires. 1957, c. 17, s. 66.

72.—(1) Every corporation that fails to deliver a return as and when required by subsection 1 of section 71 shall pay a penalty of,

(a) an amount equal to 5 per cent of the tax that was unpaid when the return was required to be delivered, if the tax payable by the corporation for the fiscal year that was unpaid at that time was less than $10,000; and

(b) $500, if at the time the return was required to be delivered tax payable by the corporation equal to $10,000 or more was unpaid.

(2) Every corporation that fails to complete the information required on the return to be delivered under subsection 1 of section 71 is liable to a penalty of 1 per cent of the taxes payable by it under this Act, but such penalty shall not in any case be less than $20 or more than $100.
(3) Every person who has,

(a) made, or participated in, assented to or acquiesced in the making of, false or deceptive statements in a return, certificate, statement or answer delivered or made as required by or under this Act or the regulations;

(b) to evade payment of a tax imposed by this Act, destroyed, altered, mutilated, secreted or otherwise disposed of the records or books of account of a corporation;

(c) made, or assented to or acquiesced in the making of, false or deceptive entries, or omitted, or assented to or acquiesced in the omission, to enter a material particular, in records or books of account of a corporation;

(d) wilfully in any manner evaded or attempted to evade compliance with this Act or payment of taxes imposed by this Act; or

(e) conspired with any person to commit an offence described by clauses a to d,

is guilty of an offence and, in addition to any penalty otherwise provided by this Act, is liable on summary conviction to a fine of not less than $25 and not more than $10,000 plus, in an appropriate case, an amount of not more than double the amount of the tax that should have been shown to be payable or that was sought to be evaded, or to imprisonment for a term of not more than two years, or to both. 1957, c. 17, s. 67.

73. The Treasurer may enlarge the time for making any return before or after the time for making it. 1957, c. 17, s. 68.

**DIVISION B—PAYMENTS**

74.—(1) The taxes imposed by this Act shall be deemed to accrue proportionately as the days of each fiscal year for which such taxes are imposed pass.

(2) Every corporation on which a tax is imposed by this Act shall pay the tax, as estimated by the corporation on its taxable income or other subject for the last preceding fiscal year or for the fiscal year in respect of which the tax
is payable, at the rates applicable for the last-mentioned fiscal year, in four equal instalments,

(a) on or before the fifteenth day of the fifth, eighth and eleventh months of the fiscal year in respect of which the tax is payable; and

(b) on or before the fifteenth day of the second month of the fiscal year following that in respect of which the tax is payable.

(3) Notwithstanding subsection 2 and subject to subsection 4 of section 75, where for the purposes of this section any corporation estimates the amount of tax payable for a fiscal year to be less than $81, the corporation may, instead of paying the instalments required by subsection 2, pay such tax on or before the fifteenth day of the second month of the fiscal year following that in respect of which the tax is payable.

(4) Every corporation shall pay the amount if any by which any tax payable as estimated by the corporation to be payable in the return required to be delivered by subsection 1 of section 71 exceeds the amounts paid under subsection 2 or 3, as the case may be, at the time of making such return.

1957, c. 11, s. 69.

75.—(1) Where the amount paid on account of tax payable by a corporation for a fiscal year before the expiration of the time allowed for delivering of the return of the corporation under section 71 is less than the amount of tax payable for the fiscal year, the corporation liable to pay the tax shall pay interest on the difference between those two amounts from the expiration of the time for delivering the return to the date of payment at the rate of 6 per cent per annum.

(2) Where a corporation is required by subsection 2 of section 74 to pay a part or instalment of tax and it has failed to pay all or any part thereof as required, the corporation, in addition to the interest payable under subsection 1, shall pay interest on the amount it failed to pay at 6 per cent per annum from the day on or before which it was required to make the payment to the day of payment or the beginning of the period in respect of which it becomes liable to pay interest thereon under subsection 1, whichever is earlier.

(3) In addition to the interest payable under subsection 1, where a corporation paid tax for a fiscal year under subsection 3 of section 74 and the tax payable for the fiscal year is $81 or more, it shall forthwith after assessment pay an amount
equal to 3 per cent of the tax payable by the corporation for the fiscal year.

(4) The interest payable under subsection 2 and the penalty interest payable under subsection 6 shall be computed by reference to the tax payable by a corporation for,

(a) the last preceding fiscal year; or

(b) the fiscal year in respect of which the tax is payable,

whichever is less, and where a corporation has paid tax for a fiscal year under subsection 3 of section 74 and where the tax payable by the corporation,

(c) for the last preceding fiscal year; and

(d) for the fiscal year in respect of which the tax is payable,

are both $81 or more, the corporation shall be deemed to have been in default of payment of tax as required by subsection 2 of section 74 and shall pay interest and penalty interest in respect thereof as required by subsections 2 and 6 and in such case subsection 3 does not apply.

(5) Where a corporation is entitled to deduct under paragraph 3 of subsection 1 of section 39 in computing its taxable income for a taxation year an amount in respect of a loss sustained in the fiscal year immediately following the taxation year, hereinafter in this subsection referred to as “the loss year”, for the purpose of computing interest and penalty interest under this section on tax or a part or instalment of tax for the taxation year for any portion of the period in respect of which the interest is payable on or before the last day of the loss year, the tax payable for the taxation year shall be deemed to be the amount that it would have been if the corporation were not entitled to deduct an amount under paragraph 3 of subsection 1 of section 39 in respect of that loss. 1957, c. 17, s. 70 (1-5).

(6) In addition to the interest payable under subsections 1 and 2, every corporation required by section 74 to pay a part or instalment or the whole of the tax for a fiscal year on or before the day on or before which a return under subsection 1 of section 71 is required to be delivered for that fiscal year shall pay penalty interest on any part or instalment or the whole of such tax that remains unpaid more than two months after the day such part or instalment or such whole was
required to be paid by section 74 at the rate of one-quarter of 1 per cent per month or part thereof calculated with respect to each part or instalment or the whole of such tax, as the case may be, from two months following the date on or before which each part or instalment or the whole of such tax, as the case may be, is required to be paid by section 74 until the date of payment. 1959, c. 20, s. 23.

DIVISION C—ASSESSMENTS

Assessment of returns

76.—(1) The Treasurer shall with all due despatch examine each return delivered under section 71 and assess the tax for the fiscal year and the interest and penalties if any payable.

Notice of assessment

(2) After examination of a return, the Treasurer shall send by registered mail a notice of assessment to the corporation that delivered the return.

Continuation of liability for tax

(3) Liability for tax imposed by this Act is not affected by an incorrect or incomplete assessment or by the fact that no assessment has been made.

Re-assessment

(4) The Treasurer may at any time assess tax, interest or penalties and may at any time re-assess or make additional assessments.

Idem

(5) Where a corporation has delivered the return required by section 71 for a fiscal year and, within one year from the day on or before it was required by section 71 to deliver a return for that fiscal year, has filed an amended return for the fiscal year claiming a deduction from income under paragraph 3 of subsection 1 of section 39 in respect of a business loss sustained in the fiscal year immediately following that fiscal year, the Treasurer shall re-assess the tax payable by the corporation for that fiscal year.

Treasurer not bound by returns

(6) The Treasurer is not bound by a return or information delivered by or on behalf of a corporation and may, notwithstanding a return or information so delivered or if no return or information has been delivered, assess the tax payable under this Act.

Assessment valid and binding

(7) An assessment, subject to being varied or vacated on an objection or appeal and subject to a re-assessment, shall be deemed to be valid and binding notwithstanding any error, defect or omission therein or in any proceeding under this Act relating thereto. 1957, c. 17, s. 71.
77.—(1) Every corporation shall within thirty days from the day of mailing of the notice of assessment pay any part of the assessed tax, interest and penalties then remaining unpaid, whether or not an objection to or appeal from the assessment is outstanding. 1957, c. 17, s. 72.

(2) Where in the opinion of the Treasurer a corporation is attempting to avoid payment of a tax imposed by this Act or where the Treasurer has assessed the tax payable under this Act pursuant to subsection 6 of section 76, he may, notwithstanding subsection 2 of section 76, serve the notice of assessment upon the corporation or the president, manager, secretary or any director, agent or representative thereof and direct that all taxes, penalties and interest as set out therein shall be paid forthwith. 1958, c. 16, s. 27.

DIVISION D—REFUNDS OF OVERPAYMENTS

78.—(1) If the return required to be delivered by a corporation under section 71 for a fiscal year has been delivered within four years from the end of that fiscal year, the Treasurer,

(a) may, upon mailing the notice of assessment for the fiscal year, refund without application therefor any overpayment made on account of the tax payable for the fiscal year; and

(b) shall make such a refund after mailing the notice of assessment if application therefor has been made in writing by the corporation within four years from the day on which the overpayment was made or the day on which the notice of assessment was mailed. 1959, c. 20, s. 24.

(2) Instead of making a refund that might otherwise be made under this section, the Treasurer may, where the corporation is liable or about to become liable to make another payment under this Act, apply the amount of the overpayment to that other liability and notify the corporation of such action.

(3) Where an amount in respect of an overpayment is refunded or applied under this section on other liability, interest at the rate of 3 per cent per annum shall be paid or applied thereon for the period commencing with the latest of,

(a) the day on which the overpayment arose;
(b) the day on or before which the return of the corporation in respect of which the overpayment arose was required by section 71 to be delivered; or

(c) the day on which the return of the corporation in respect of which the overpayment arose was delivered, and ending with the day of refunding or application aforesaid, unless the amount of the interest so calculated is less than $1, in which event no interest shall be paid or applied under this subsection.

(4) Where by a decision of the Treasurer under section 79 or by a decision of a court it is finally determined that the tax payable under this Act by a corporation for a fiscal year is less than the amount assessed by the assessment under section 76 to which objection was made or from which the appeal was taken and the decision makes it appear that there has been an overpayment for the fiscal year, the interest payable under subsection 3 on that overpayment shall be computed at 6 per cent instead of at 3 per cent.

(5) For the purpose of this section, “overpayment” means the aggregate of all amounts paid on account of tax payable for a fiscal year minus all amounts payable under this Act or an amount so paid where no amount is so payable.

(6) Where a corporation is entitled to deduct under paragraph 3 of subsection 1 of section 39 in computing its taxable income for a taxation year an amount in respect of a loss sustained in the fiscal year immediately following the taxation year, hereinafter in this subsection referred to as “the loss year”, and the amount of the tax payable for the taxation year is relevant in determining an overpayment for the purpose of computing interest under subsection 3 for any portion of a period ending on or before the last day of the loss year, the tax payable for the taxation year shall be deemed to be the amount that it would have been if the corporation were not entitled to deduct an amount under paragraph 3 of subsection 1 of section 39 in respect of that loss. 1957, c. 17, s. 73 (2-6).

DIVISION E—OBJECTIONS TO ASSESSMENT

79.—(1) A corporation that objects to an assessment under this Act may within ninety days from the day of mailing of the notice of assessment serve on the Treasurer a notice of objection in duplicate in the prescribed form setting out the reasons for the objection and all relevant facts. 1960, c. 14, s. 18.
(2) A notice of objection under this section shall be served by being sent by registered mail addressed to the Comptroller. 1959, c. 20, s. 25.

(3) Upon receipt of the notice of objection, the Treasurer shall with all due despatch reconsider the assessment and vacate, confirm or vary the assessment or re-assess and he shall thereupon notify the corporation of his action by registered letter. 1957, c. 17, s. 74 (3).

DIVISION F—APPEALS

80.—(1) Where a corporation has served notice of objection to an assessment under section 79, the corporation may appeal to the Supreme Court to have the assessment vacated or varied after the Treasurer has confirmed or re-assessed, but no appeal under this section may be instituted after the expiration of ninety days from the day notice has been mailed to the corporation under section 79 that the Treasurer has confirmed the assessment or re-assessed.

(2) An appeal to the Supreme Court shall be instituted by serving on the Treasurer a notice of appeal in duplicate in the prescribed form and by filing a copy thereof with the Registrar of the Supreme Court or the local registrar of the Supreme Court for the county or district in which the corporation appealing has its head office or other permanent establishment. 1957, c. 17, s. 75 (1, 2).

(3) A notice of appeal shall be served upon the Treasurer by being sent by registered mail addressed to the Comptroller. 1959, c. 20, s. 26.

(4) The corporation appealing shall set out in the notice of appeal a statement of the allegations of fact, the statutory provisions and reasons that it intends to submit in supporting its appeal.

(5) An appeal by a corporation and all proceedings thereunder are, upon the expiration of sixty days from the day the appeal is instituted, null and void unless security for the costs of the appeal has been, within the said period, paid into court in the sum of $400 or such other sum as the Treasurer requires and, upon an appeal becoming null and void by virtue of this subsection, no other appeal or proceedings shall be instituted in respect of the same decision.

(6) When security has been given under subsection 5, notice thereof shall be served on the Treasurer specifying the fact and the purpose of the payment. 1957, c. 17, s. 75 (4-6).
81.—(1) The Treasurer shall with all due despatch serve on the corporation appealing and file in the court a reply to the notice of appeal admitting or denying the facts alleged and containing a statement of such further allegations of fact and of such statutory provisions and reasons as the Treasurer intends to rely on.

(2) The court or a judge may in its or his discretion strike out a notice of appeal or any part thereof for failure to comply with subsection 4 of section 80 and may permit an amendment to be made to a notice of appeal or a new notice of appeal to be substituted for the one struck out.

(3) The court or a judge may in its or his discretion,

(a) strike out any part of a reply for failure to comply with subsection 1 or permit the amendment of a reply; or

(b) strike out a reply for failure to comply with this section and order a new reply to be filed within a time to be fixed by the order.

(4) Where a notice of appeal is struck out for failure to comply with subsection 4 of section 80 and a new notice of appeal is not filed as and when permitted by the court or a judge, the court or a judge thereof may, in its or his discretion, dispose of the appeal by dismissing it.

(5) Where a reply is not filed as required by this section or is struck out under this section and a new reply is not filed as ordered by the court or a judge within the time ordered, the court may dispose of the appeal ex parte or after a hearing on the basis that the allegations of fact contained in the notice of appeal are true. 1957, c. 17, s. 76.

82.—(1) Upon the filing of the material referred to in sections 80 and 81 with the Registrar of the Supreme Court or the local registrar of the Supreme Court for the county or district in which the corporation appealing has its head office or permanent establishment, the matter shall be deemed to be an action in the court and, unless the court otherwise orders, ready for hearing. 1958, c. 16, s. 28.

(2) Any fact or statutory provision not set out in the notice of appeal or reply may be pleaded or referred to in such manner and upon such terms as the court directs.
(3) The court may dispose of the appeal by,

(a) dismissing it;
(b) allowing it; or
(c) allowing it, and
   (i) vacating the assessment,
   (ii) varying the assessment,
   (iii) restoring the assessment, or
   (iv) referring the assessment back to the Treasurer
       for reconsideration and re-assessment.

(4) The Court may in delivering judgment disposing of an appeal order payment or refund of tax, interest, penalties or costs by the taxpayer or the Treasurer, as the case may be. 1957, c. 17, s. 77 (2-4).

83. Proceedings under this Division shall be held in camera upon request made to the court by the corporation appealing or by the Treasurer. 1957, c. 17, s. 78.

84. The practice and procedure of the Supreme Court, including the right of appeal and the practice and procedure relating to appeals, apply to every matter deemed to be an action under section 82 and every judgment and order given or made in every such action may be enforced in the same manner and by the like process as a judgment or order given or made in an action commenced in the court. 1957, c. 17, s. 79.

85. An assessment shall not be vacated or varied on appeal by reason only of any irregularity, informality, omission or error on the part of any person in the observation of any directory provision of this Act. 1957, c. 17, s. 80.

PART VI
ADMINISTRATION AND ENFORCEMENT

86.—(1) Any person thereunto authorized by the Treasurer for any purpose related to the administration or enforcement of this Act may at all reasonable times enter into any premises or place where any business is carried on or any property is kept or anything is done in connection with any business or
any books or records are or should be kept pursuant to this Act, and,

(a) audit or examine the books and records and any account, voucher, letter, telegram or other document that relates or may relate to the information that is or should be in the books or records or the amount of tax payable under this Act;

(b) examine property described by an inventory or any property, process or matter an examination of which may, in his opinion, assist him in determining the accuracy of an inventory or in ascertaining the information that is or should be in the books or records or the amount of any tax payable under this Act;

(c) require the president, manager, secretary or any director, agent or representative of the corporation liable to pay or considered possibly liable to pay tax under this Act and any other person on the premises of such corporation to give him all reasonable assistance with his audit or examination and to answer all questions relating to the audit or examination either orally or, if he so requires, in writing, on oath or by statutory declaration and, for that purpose, require such person to attend at the premises or place with him; and

(d) if during the course of an audit or examination it appears to him that there has been a violation of this Act or the regulations, seize and take away any of the records, books, accounts, vouchers, letters, telegrams and other documents and retain them until they are produced in any court proceedings.

(2) The Treasurer may, for any purpose relating to the administration or enforcement of this Act, by registered letter or by a demand served personally, require from any corporation or from the president, manager, secretary, or any director, agent or representative thereof,

(a) any information or additional information or a return as required by section 71 or a supplementary return; or

(b) production, or production on oath, of any books, letters, accounts, invoices, statements, financial or otherwise, or other documents,

within such reasonable time as is stipulated therein.
(3) The Treasurer may, for any purpose related to the administration or enforcement of this Act, by registered letter or by a demand served personally, require from any person, partnership, syndicate, trust or corporation holding or paying or liable to pay any portion of the income of the corporation, or from any partner, agent or official of any such person, partnership, syndicate, trust or corporation, production, or production on oath, of any books, letters, accounts, invoices, statements, financial or otherwise, or other documents, within such reasonable time as is stipulated therein.

(4) The Treasurer may, for any purpose related to the administration or enforcement of this Act, with the approval of a judge of the Supreme Court, which approval the judge is hereby empowered to give upon ex parte application, authorize in writing any officer of the Office of the Comptroller of Revenue, together with such members of the provincial police or other peace officers as he calls on to assist him and such other persons as are named therein, to enter and search, if necessary by force, any building, receptacle or place for documents, books, records, papers or things that may afford evidence as to the violation of any provision of this Act or the regulations and to seize and take away any such documents, books, records, papers or things and retain them until they are produced in any court proceedings. 1957, c. 17, s. 81 (1-4).

(5) The Treasurer may, by registered letter or by a demand served personally, require the production, under oath or otherwise, by any person, partnership, syndicate, trust or corporation, or by his or its agent or officer, of any letters, accounts, invoices, statements, financial or otherwise, books or other documents in the possession or in the control of such person, partnership, syndicate, trust or corporation or of his or its agent or officer, for the purpose of determining what tax, if any, is payable under this Act by any corporation and production thereof shall be made within such reasonable time as is stipulated in such registered letter or demand. 1960, c. 14, s. 19.

(6) The Treasurer may, for any purpose related to the administration or enforcement of this Act, authorize any person, whether or not he is an officer of the Office of Comptroller of Revenue, to make such inquiry as he deems necessary with reference to anything relating to the administration or enforcement of this Act.

(7) Where a book, record or other document has been seized, examined or produced under this section, the person
by whom it is seized or examined or to whom it is produced or any officer of the Office of Comptroller of Revenue may make, or cause to be made, one or more copies thereof and a document purporting to be certified by the Treasurer or a person thereunto authorized by the Treasurer to be a copy made pursuant to this section is admissible in evidence and has the same probative force as the original document would have had if it had been proven in the ordinary way.

(8) No person shall hinder or molest or interfere with any person doing anything that he is authorized by this section to do or prevent or attempt to prevent any person doing any such thing and, notwithstanding any other law to the contrary, every person shall, unless he is unable to do so, do everything he is required by this section to do.

(9) Declarations or affidavits in connection with returns delivered under this Act or statements of information submitted pursuant to this section may be taken before any person having authority to administer an oath, or before any person specially authorized for that purpose by the Lieutenant Governor in Council, but any person so specially authorized shall not charge any fee therefor.

(10) For the purpose of an inquiry authorized under subsection 6, the person authorized to make the inquiry has all the powers and authority that may be conferred upon a commissioner appointed under The Public Inquiries Act. 1957, c. 17, s. 81 (5-9).

87.—(1) Every corporation that is required by this Act to pay taxes shall keep records and books of account, including an annual inventory kept in the prescribed manner, at its permanent establishment in Ontario or at such other place as is designated by the Treasurer, in such form and containing such information as will enable the taxes payable under this Act to be determined.

(2) Where a corporation has failed to keep adequate records and books of account for the purpose of this Act, the Treasurer may require the corporation to keep such records and books of account as he specifies and the corporation shall thereafter keep records and books of account as so required.

(3) Every corporation required by this section to keep records and books of account shall, until written permission
for their disposal is obtained from the Treasurer, retain every such record or book of account and every account or voucher necessary to verify the information in any such records or books of account. 1957, c. 17, s. 82.

88.—(1) Every corporation that has failed to deliver a return as and when required by this Act or the regulations is guilty of an offence and, in addition to any penalty otherwise provided, on summary conviction is liable to a fine of not less than $25 for each day of default. 1957, c. 17, s. 83 (1).

(2) Every person who has failed to comply with or contravened section 86 or 87 is guilty of an offence and, in addition to any penalty otherwise provided, on summary conviction is liable to a fine of $25 for each day during which the default continues. 1957, c. 17, s. 83 (2); 1958, c. 16, s. 29.

89. Where a corporation is guilty of an offence under this Act, any officer, director or agent of the corporation who directed, authorized, assented to, acquiesced in, or participated in, the commission of the offence is a party to and guilty of the offence and on summary conviction is liable to the punishment provided for the offence whether or not the corporation has been prosecuted or convicted. 1957, c. 17, s. 84.

90.—(1) No person employed in the service of Her Majesty shall communicate or allow to be communicated to any person not legally entitled thereto any information obtained under this Act or allow any such person to inspect or have access to any written statement furnished under this Act.

(2) Every person who contravenes any provision of this section is guilty of an offence and on summary conviction is liable to a fine of not more than $200. 1957, c. 17, s. 85.

(3) Notwithstanding subsection 1, the Treasurer may, for the purpose of aiding in an investigation for taxation purposes under this or any other Act, enter into an agreement with the government of Canada or of any province under which officers of such government will be allowed access to information obtained or any written statement furnished under this Act and officers of the Government of Ontario will be allowed access to information obtained or any written statement furnished under any Act of such government. 1959, c. 20, s. 27.
Priority of tax

91.-(1) All taxes, interest, penalties, costs and other amounts payable under this Act are debts due to Her Majesty and are a first lien and charge upon the property in Ontario of the corporation liable to pay such taxes, interest, penalties, costs and other amounts, but such lien and charge does not apply to any mine as defined in The Mining Tax Act until the corporation owning the mine has become liable for the payment of a tax on mining profits under The Mining Tax Act.

R.S.O. 1960, c. 242

Tax and penalty to be lien on property

(2) All taxes, interest, penalties, costs and other amounts payable under this Act by a corporation that owns, operates or uses a railway are a special lien on any property, real or personal, in which the corporation has any interest, legal or equitable (other than as lessee or under any agreement for running rights or operating rights) in priority to every claim, privilege, lien or encumbrance, whenever created, of every person, and the lien and its priority are not lost or impaired by any neglect, omission or error of any minister, officer, servant or agent of the Crown, or by want of registration. 1957, c. 17, s. 86.

Garnishment

92.-(1) When the Treasurer has knowledge or suspects that a person is or is about to become indebted or liable to make any payment to a corporation liable to make a payment under this Act, he may, by registered letter or by a letter served personally, require him to pay the moneys otherwise payable to that corporation in whole or in part to the Treasurer on account of the liability under this Act.

(2) The receipt of the Treasurer for moneys paid as required under this section is a good and sufficient discharge of the original liability to the extent of the payment.

Idem

(3) Every person who has discharged any liability to a corporation liable to make a payment under this Act without complying with a requirement under this section is liable to pay to Her Majesty in right of Ontario an amount equal to the liability discharged or the amount that he was required under this section to pay to the Treasurer, whichever is the lesser.

Liability of debtor

(4) Where a person who is or is about to become indebted or liable to make a payment to a corporation liable to make a payment under this Act carries on business under a name or style other than his own name, the registered or other letter under subsection 1 may be addressed to the name or style under which he carries on business and, in the case of
personal service, shall be deemed to have been validly served if it has been left with an adult person employed at the place of business of the addressee.

(5) Where the persons who are or are about to become indebted or liable to make a payment to a corporation liable to make a payment under this Act carry on business in partnership, the registered or other letter under subsection 1 may be addressed to the partnership name and, in the case of personal service, shall be deemed to have been validly served if it has been served on one of the partners or left with an adult person employed at the place of business of the partnership. 1957, c. 17, s. 87.

93.—(1) Upon default of payment by a corporation of any tax, interest or penalty or any of them imposed upon a corporation by this Act,

(a) the Treasurer may bring an action for the recovery thereof in any court in which a debt or money demand of a similar amount may be collected, and every such action shall be brought and executed in and by the name of the Treasurer or his name of office and may be continued by his successor in office as if no change had occurred, and shall be tried without a jury;

(b) the Treasurer may issue a warrant, directed to the sheriff of any county or district in which any property of the corporation is located or situate, for the amount of the tax, interest and penalty or any of them owing by the corporation, together with interest thereon from the date of the issue of the warrant and the costs, expenses and poundage of the sheriff, and such warrant has the same force and effect as a writ of execution issued out of the Supreme Court.

(2) For the purpose of any proceeding taken under this Act, the facts necessary to establish compliance on the part of the Treasurer with this Part as well as the failure of any person, partnership, syndicate, trust or corporation to comply with the requirements of this Part shall, unless evidence to the contrary satisfactory to the court is adduced, be sufficiently proven in any court of law by affidavit of the Treasurer or of any officer of the Treasury Department. 1957, c. 17, s. 88.

94. The use of any of the remedies provided by sections 92 and 93 does not bar or affect any of the other remedies therein provided, and the remedies provided by this Act for penalties.
the recovery or enforcement of the payment of any tax, interest and penalty or any of them imposed by this Act are in addition to any other remedies existing by law, and no action or other proceeding taken in any way prejudices, limits or affects any lien, charge or priority existing under this Act or otherwise. 1957, c. 17, s. 89.

95.—(1) Where a corporation has failed to pay taxes, interest and penalties or any of them imposed by this Act for a period of more than three years from the date of mailing of the notice of assessment provided by subsection 2 of section 76, no person shall sell any capital assets of the corporation unless he has given written notice by registered letter to the Treasurer not less than ten days before the date of the sale.

(2) Every person who contravenes the provisions of subsection 1 is liable to a penalty of not less than an amount equal to the amount of such taxes, interest and penalties in default and such penalty is recoverable by action in any court in which a debt or money demand of a similar amount may be collected. 1957, c. 17, s. 90.

96. If any doubt or dispute arises as to the liability of a corporation to pay a tax or any portion of a tax demanded under the authority of this Act, or if owing to special circumstances it is deemed inequitable to demand payment of the whole amount imposed by this Act, the Treasurer may accept such amount as he deems proper. 1957, c. 17, s. 91.

97. Every person who, and every corporation that, contravenes or fails to comply with any of the provisions of this Act or the regulations for which no other fine is provided is guilty of an offence and on summary conviction is liable to a fine of not less than $50 and not more than $500. 1957, c. 17, s. 92.

98. The fines imposed for offences under this Act are payable to the Treasurer. 1957, c. 17, s. 93

99. The Lieutenant Governor in Council may make regulations,

(a) authorizing or requiring the Deputy Treasurer or any officer of the Treasury Department to exercise any power or perform any duty conferred or imposed upon the Treasurer by this Act;

(b) providing for the issuance of certificates as to the amount of taxes, interest and penalties or any of
they owing by any corporation under this Act and
prescribing the fee payable therefor;

(c) prescribing anything that by this Act is to be pre-
scribed or is to be determined or regulated by the
regulations;

(d) prescribing amendments to the provisions of Part III
and to the provisions of Part II that relate to the
allocation of taxable income and taxable paid-up
capital between Ontario and any other jurisdiction,
such amendments to remain effective only if enacted
by the Legislature at the first regular session after
such amendments have been prescribed;

(e) respecting any matter necessary or advisable to carry
out effectively the intent and purpose of this Act.
1957, c. 17, s. 94.

PART VII

TRANSITIONAL PROVISIONS

100.—(1) Notwithstanding section 4, the tax as calculated Income tax
thereunder shall be reduced in the case of any corporation in 1957
the fiscal year of which does not coincide with the calendar
year but ends in the calendar year 1957 in the proportion of
the total tax which the number of days of such fiscal year
that are in the calendar year 1956 bears to the total number
of days of such fiscal year.

(2) Where the amount of the tax imposed by section 4 on a
corporation is reduced under subsection 1, the amount of the
tax as so reduced is, notwithstanding section 12, the amount of the
the deduction allowed by section 12. 1957, c. 17, s. 95.

101. Notwithstanding any provision of this Act and in R.S.C. 1952,
order that corporations that become taxable under this Act may be dealt with under this Act on the same basis and in this Act
the same manner as they will be dealt with under the Income
Tax Act (Canada) with respect to fiscal years of such corpora-
tions ending in 1957 and later fiscal years, the provisions of
the Income Tax Act (Canada) and every predecessor thereof
affecting the determination of taxable income as they have
been in force from time to time shall be deemed, for the
purposes of this Act, to have been applied in determining the
taxable incomes of such corporations for fiscal years thereof
ending in calendar years before 1957, at the same time and to
the same extent as they were applicable under those Acts.
1957, c. 17, s. 97.