

Tax and Revenue Administration (TRA)

Alberta Corporate Income Tax Act

Special Notice Vol. 5 No. 40

Tax Statutes Amendment Act, 2014

Last updated: June 11, 2014

NOTE: This special notice is intended to explain legislation and provide specific information. Every effort has been made to ensure the contents are accurate. However, if a discrepancy should occur in interpretation between this special notice and governing legislation, the legislation takes precedence.

Tax Statutes Amendment Act, 2014

Bill 7, *Tax Statutes Amendment Act, 2014*, received Royal Assent on April 24, 2014. The bill included various amendments to the *Alberta Corporate Tax Act* (the Act). Some of the more significant changes are explained below.

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Qualifying Environmental Trusts

New Part 5.1 has been added to the Act in order to implement the Qualifying Environmental Trust (QET) special tax regime, as announced in Special Notice Vol. 5 No. 39. Under this tax regime, the QET is required to pay Alberta tax on its trust income for the year at the corporate tax rate of 10 per cent. However, a corporation that is a beneficiary of a QET is also required to report and pay tax on its share of the QET's income for the year. To offset the second level of tax on the income of the QET, the corporation will be entitled to claim a refundable tax credit equal to the amount of Alberta tax paid by the QET. Alberta's QET tax regime parallels the federal tax regime

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Note: for toll-free service in Alberta, call 310-0000, then enter the number.



for QETs and is similar to the regimes already established in Saskatchewan and British Columbia.

The Act now includes the following provisions in respect of Alberta's QET tax regime:

- Every QET resident in Alberta at the end of a taxation year must file a return and pay the tax to the Canada Revenue Agency (CRA), which administers trust tax on behalf of Alberta.
- The taxation year of a QET is the calendar year.
- A corporation that is a beneficiary of a QET will be entitled to claim a QET refundable tax credit equal to the amount of Alberta tax paid by the QET on the corporation's share of the QET's income. In order to be entitled to a QET tax credit, a corporation must apply for the credit through the Alberta Corporate Tax Return (AT1) submitted to Alberta Treasury Board and Finance, Tax and Revenue Administration (TRA). Exemptions in respect of the filing of returns do not apply to a corporation that is claiming an Alberta QET tax credit.
- For a corporation that is a member of a partnership, the QET tax credit the corporation is entitled to claim will also include the total of all amounts that can reasonably be considered to be the corporation's share of the relevant tax credit in respect of the partnership. For this purpose, the relevant tax credit in respect of a partnership is the amount that would, if a partnership were a person and its fiscal period were its taxation year, be the Alberta QET tax credit of the partnership for its taxation year that ends in the particular year.
- The QET tax credit will be first applied against any corporate tax payable by the corporation, and then any excess credit will be refunded.
- The QET tax credit to which a corporation is entitled reduces the amount upon which the penalty for failure to file a return is calculated.

Income tax payable by a QET is administered by the CRA. Therefore, an Alberta-resident QET is advised to follow the federal income tax laws and policies for filing returns and making payments. However, the QET tax credit is administered by TRA. Therefore, a corporation that is a beneficiary of an Alberta-resident QET must use Alberta form AT1 in order to claim the Alberta QET tax credit in respect of the amount of Alberta tax paid by the QET. Form AT1 will be amended to enable a corporation to file a claim for the QET tax credit. For further information on filing form AT1, please refer to [Information Circular CT-2, Filing Requirements](#).

The administrative processes for the QET and the QET tax credit will be provided through amendments to the Alberta Corporate Tax Regulation (the Regulation). Amendments to the Regulation are in process. Further information on these processes will be provided as soon as amendments to the Regulation have been passed, which is expected in late fall of 2014.

Alberta's QET tax regime is effective for taxation years ending after December 31, 2013.

Scientific Research and Experimental Development

Section 35(3) of the Act contains rules that apply when a corporation becomes or ceases to be exempt from tax. The section has been amended to clarify that, for the purposes of applying the Alberta scientific research and experimental development (SR&ED) tax credit recapture rules, a corporation is deemed to be a new corporation with its first taxation year beginning at the time it became or ceased to be exempt from tax. Therefore, the recapture rules in respect of SR&ED assets do not apply to a corporation that has had a change in tax status. This amendment applies to corporations that become or cease to be exempt from tax after 2008.

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Federal Amendments Paralleled by Alberta

The Act has been amended to parallel amendments recently passed by the federal government. The *Income Tax Act* (Canada) was amended by Bill C-48, *Technical Tax Amendments Act, 2012*, and by Bill C-60, *Economic Action Plan, 2013*, both of which received Royal Assent on June 26, 2013. These bills implemented technical amendments and other provisions arising out of federal Budget 2013. Some of the changes included in Bill C-48 were announced more than 10 years ago, and became effective when the changes were first announced. In general, Alberta parallels federal effective dates for technical amendments in order to remain consistent with the dates that corporations would have made the respective reporting changes. Therefore, Alberta's Bill 7 included a number of provisions that became effective for Alberta tax purposes at the same time they became effective for federal tax purposes.

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