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## **Official Report of Debates (Hansard)**

**Thursday 17 May 2007**

## **Journal des débats (Hansard)**

**Jeudi 17 mai 2007**

**Standing committee on  
finance and economic affairs**

Strengthening Business through  
a Simpler Tax System Act, 2007

**Comité permanent des finances  
et des affaires économiques**

Loi de 2007 visant à renforcer  
les entreprises grâce à un régime  
fiscal plus simple

Chair: Pat Hoy  
Clerk: Douglas Arnott

Président : Pat Hoy  
Greffier : Douglas Arnott

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRS**

**COMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES**

Thursday 17 May 2007

Jeudi 17 mai 2007

*The committee met at 1005 in room 151.*

**STRENGTHENING BUSINESS THROUGH  
A SIMPLER TAX SYSTEM ACT, 2007  
LOI DE 2007 VISANT À RENFORCER  
LES ENTREPRISES GRÂCE À UN RÉGIME  
FISCAL PLUS SIMPLE**

Consideration of Bill 174, An Act to enact the Taxation Act, 2006 and make complementary and other amendments to other Acts / Projet de loi 174, Loi édictant la Loi de 2006 sur les impôts et apportant des modifications complémentaires et autres à diverses lois.

**The Chair (Mr. Pat Hoy):** The standing committee on finance and economic affairs will now come to order. We're here this morning for clause-by-clause consideration of Bill 174. Mr. Arthurs.

**Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge):** I believe from the chats I had with the opposition critics a couple of days ago that we have unanimous consent to have three of our amendments presented by Minister Chan, because they are money-related amendments that need to be moved by a minister, by a member of government. I spoke with Mr. Hudak and Mr. Prue on Tuesday, prior to our public hearing.

**The Chair:** Agreed? We're agreed.

**Mr. Ted Arnott (Waterloo–Wellington):** Mr. Chair, if I could I interrupt for a moment, I've got another item of business I'd like to raise—and I know that Mr. Prue is probably on his way.

On November 30 of last year, the Legislature passed my private member's resolution which called upon this committee to commence public hearings into the loss of manufacturing jobs. When this committee did its pre-budget deliberations and when it was writing its pre-budget report to the Minister of Finance, the committee supported my motion which asked the committee to commence these public hearings.

I represent part of the city of Kitchener, and just a few days ago it was announced that the MTD plant in Kitchener was closing, with a loss of 400 jobs. This builds on a whole list of factory closings that have taken place in our area in recent years. I'm very concerned about this issue, and obviously we all should be.

I wrote you a letter on April 5 asking when we might schedule these hearings, given the fact that the House has supported my request for this committee to do public

hearings on the loss of manufacturing jobs and this committee itself has supported it in its recommendations to the Minister of Finance, so I'm just wondering when we might commence those hearings.

**The Chair:** As you know, government bills take precedence. We could consider that at the subcommittee stage once we've completed government bills.

**Mr. Arnott:** Are there any other government bills before this committee after this one is finished?

**The Chair:** Not that I'm aware of.

**Mr. Arnott:** I'll continue to raise this issue. Thank you very much.

**The Chair:** We have unanimous consent to do three motions, presented by Minister Chan. Please state which ones they are so that the committee and the clerk can follow along.

**Hon. Michael Chan (Minister of Revenue):** This is motion number 57.

I move that the definition of "A" in subsection 57(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following paragraph:

"3.1 Its accumulated other comprehensive income."

**The Chair:** Is there any comment?

**Mr. Arnott:** Perhaps the minister or the parliamentary assistant would provide an explanation for the committee as to why this amendment is necessary and what it is intended to achieve.

**Hon. Mr. Chan:** This is a technical amendment to reflect new accounting terminology for capital tax purposes. It is relevant only until the capital tax is terminated, effective July 1, 2010.

**The Chair:** Any other comment? Hearing none, all in favour? Opposed, if any? Carried.

Do you want to vote on this section now, then, committee? It's the only amendment to this section. Shall schedule A, section 57, as amended, carry? All in favour? Opposed, if any? Carried.

My understanding is that we'll do motion 64 now.

**Hon. Mr. Chan:** I move that the definition of "taxable capital" in section 70 of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

"taxable capital" means, with respect to a corporation for a taxation year, the amount that would be the corporation's taxable capital for the year as determined under section 181.2 of the federal act if the amount of its capital, as determined under subsection 181.2(3) of that

act included its accumulated other comprehensive income at the end of the year; ('capital impossible')."

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**The Chair:** Thank you. Any comment?

**Mr. Arnott:** I would ask for an explanation as to what this amendment is intended to achieve and why we're dealing with it.

**Hon. Mr. Chan:** This is a technical amendment to reflect new accounting terminology for capital tax purposes. It is relevant only until the capital tax is terminated effective July 1, 2010.

**Mr. Arnott:** The very same rationale. Thank you.

**The Chair:** Shall we vote on the amendment? All in favour? Opposed, if any? Carried.

Can we vote on this schedule, as well? It's the only amendment. Shall schedule A, section 70, as amended, carry? All in favour? Opposed, if any? Carried.

A new section, number 78 in your packet.

**Hon. Mr. Chan:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

"Part IV.1

"Ontario child benefit

"Ontario child benefit

"Definitions

"91.1(1) In this section,

"'adjusted income' means, in respect of an individual for a taxation year, the individual's adjusted income as determined for the purposes of subdivision a.1 of division E of part I of the federal act; ('revenu modifié')

"'base taxation year', when used in relation to a month, has the meaning assigned by section 122.6 of the federal act; ('année de base')

"'Canada child tax benefit' means the Canada child tax benefit under subdivision a.1 of division E of part I of the federal act; ('prestation fiscale canadienne pour enfants')

"'cohabiting spouse or common-law partner' means, in respect of an individual at any time, the person who, at that time, is the individual's cohabiting spouse or common-law partner for the purposes of subdivision a.1 of division E of part I of the federal act; ('conjoint ou conjoint de fait visé')

"'eligible individual' means, in respect of a qualified dependant, a person who is an eligible individual in respect of the dependant for the purposes of subdivision a.1 of division E of part I of the federal act; ('particulier admissible')

"'Ontario child benefit' means, in respect of an individual, an amount deemed under this section to be an overpayment on account of the individual's liability under this act or the Income Tax Act; ('prestation ontarienne pour enfants')

"'qualified dependant' has the meaning assigned by section 122.6 of the federal act; ('personne à charge admissible')

"'return of income' has the meaning assigned by section 122.6 of the federal act. ('déclaration de revenu')

"Application of federal act

"(2) Subsection 122.61(2), paragraph 122.61(3)(a) and subsections 122.61(3.1) and (4), 122.62(1), (2), (4), (5), (6) and (7), 152(1.2), (3.2), (3.3) and (4.2), 160.1(2.1) and (3) and 164(2.3) of the federal act apply for the purposes of this section in respect of any overpayment deemed to arise under subsection (4) as if a reference in any of those provisions to a provision of subdivision a.1 of division E of part I of the federal act were a reference to the corresponding provision of this section.

"Deemed overpayment for taxation year

"(3) If an overpayment on account of an individual's liability under this act or the Income Tax Act for a taxation year is deemed under subsection (4) to have arisen during a month ending after December 31, 2008 in relation to which the year is the base taxation year, the Ontario minister shall pay an Ontario child benefit to the individual in accordance with this section.

"When overpayment is deemed to arise

"(4) An overpayment on account of an individual's liability under this act or the Income Tax Act for a taxation year is deemed to have arisen during a month in relation to which the year is the base taxation year if the following conditions are satisfied:

"1. The individual is an eligible individual at the beginning of the month in respect of one or more qualified dependants and is entitled to receive a Canada child tax benefit for that month.

"2. The individual is resident in Ontario on the first day of the month.

"3. The individual and, if required by the Ontario minister, the person who is the individual's cohabiting spouse or common-law partner have each filed a return of income for the base taxation year.

"Amount of monthly payment

"(5) The amount of an Ontario child benefit to which an individual is entitled for a month is the amount calculated using the formula,

$$\frac{(A \times B) - C}{12}$$

"in which,

"'A' is,

"(a) \$600 if the month ends before July 1, 2009,

"(b) \$805 if the month commences after June 30, 2009 and ends before July 1, 2010,

"(c) \$900 if the month commences after June 30, 2010 and ends before July 1, 2011, and

"(d) \$1,100 if the month commences after June 30, 2011,

"'B' is the number of qualified dependants in respect of whom the individual is an eligible individual on the first day of the month, and

"'C' is the amount equal to 8% of the amount, if any, by which the individual's adjusted income for the base taxation year in respect of the month exceeds \$20,000.

"Notice and payment

“(6) If the Ontario minister determines that an individual is entitled to an Ontario child benefit, the Ontario minister,

“(a) shall send a notice to the individual setting out the amount of the payments to which the individual is entitled; and

“(b) shall make monthly payments, each of which is in the amount determined under subsection (5) for the month to which the payment applies.

“No set-off

“(7) No portion of an Ontario child benefit shall be retained by the Ontario minister and applied to reduce any debt to the crown in right of Ontario or in right of Canada other than an amount required to be repaid under this section.

“Repayment of Ontario child benefit

“(8) If, after an Ontario child benefit is paid to an individual under this section, it is determined that the individual received an Ontario child benefit to which he or she is entitled or received an amount greater than the amount to which he or she is entitled, the individual shall repay the amount or the excess amount, as the case may be, to the Ontario minister.

**1020**

“Exception

“(9) Subsection (8) does not apply if the total amount that is repayable in respect of the Ontario child benefit for any 12-month period that commences on July 1 in a year is not more than \$2.

“No interest payable

“(10) No interest is payable on the amount of an Ontario child benefit paid by the Ontario minister under this section or repayable by an individual under this section.

“Confidentiality and provision of information

“(11) If a collection agreement is in effect, any person employed by the government of Ontario may provide to officials of the government of Canada information, including personal information, required by the government of Canada to administer this section or co-ordinate the application of this section with the application of subdivision a.1 of division E of part I of the federal act.”

**The Chair:** Thank you. Any comment?

**Mr. Michael Prue (Beaches–East York):** I’m not sure if the minister intended this or did not intend it, but on the last page, page 4, under subsection (8), he omitted a word, the word being “not.” I just want to make sure that is his intention.

**The Chair:** You said page 4?

**Mr. Prue:** Top paragraph, subsection (8), “Repayment of Ontario child benefit,” second line, last word was omitted. I think if you check the record, it’s not there. I’m not sure whether that was his intent or not.

**The Chair:** What we can do is have the minister just reread that section. Is that fine?

**Mr. Prue:** Okay. I’m not sure which way he wanted to say it. In one way, I’ll support it; the other way, I won’t. I want to be fair to him.

**The Chair:** For clarity, we’ll have him reread it.

**Hon. Mr. Chan:** I’m going to reread “Repayment of Ontario child benefit.”

“Repayment of Ontario child benefit

“(8) If, after an Ontario child benefit is paid to an individual under this section, it is determined that the individual received an Ontario child benefit to which he or she is not entitled or received an amount greater than the amount to which he or she is entitled, the individual shall repay the amount or the excess amount, as the case may be, to the Ontario minister.”

**Mr. Prue:** So the intent is as written. Okay, thank you.

**The Chair:** Any other comment?

**Mr. Prue:** It’s just more a question than a comment. It’s in terms of that subsection (8), which was the important one to me. I take it, then, the intention of the minister and of the government is to continue the clawback of the federal benefit when allowed to do so. That’s the intent, to continue over the period of time the clawback of the federal benefit for those people who are getting the Ontario benefit.

**Hon. Mr. Chan:** The clawback stays.

**Mr. Prue:** The clawback stays. Okay. Then I can’t support that. I do acknowledge that the Ontario child benefit is a good thing, and I’m not going to speak against the Ontario child benefit, but to continue the clawback from the poorest people or those children whose parents are on ODSP or who are on general welfare or OW seems to me to be a retrograde step. If it’s good enough for other people to get the full benefits of the Ontario child benefit and other children to get that, I fail to see why the poorest Ontario children cannot get the benefit to which the federal government deems them to be entitled. I cannot support this particular clause in the bill.

**Mr. Arthurs:** I’d just ask if one of our officials might be able to clarify the status of this particular question.

**The Chair:** Good morning, gentlemen. If you would just identify yourselves for our recording Hansard, you can proceed.

**Mr. Michael Waterston:** Good morning. I’m Michael Waterston, legal counsel with the Ministry of Finance legal services branch.

**Mr. Joseph Cox:** I’m Joe Cox, the manager of the income security policy section in the Ministry of Finance.

**The Chair:** Go ahead.

**Mr. Waterston:** The question has been raised as to the effect of subsection (8). Subsection (8) simply provides that if an amount is paid to an individual in excess of the amount to which the individual is entitled to under section 91.1 of the act, or receives an amount to which they’re not entitled, the individual shall repay the amount, or the excess amount, to the Ontario minister. This simply has to do with the situation where the individual receives an Ontario child benefit that the individual is not entitled to under the legislation and has nothing to do with the federal Canada child benefit program. Perhaps Mr. Cox could explain.

**Mr. Cox:** The question was about the clawback of the national child benefit supplement. With the OCB, the clawback of that federal benefit from social assistance recipients will end because there will no longer be a basic social assistance payment.

**Mr. Prue:** In four years. It will end in four years.

**Mr. Cox:** It will end.

**Mr. Prue:** So will the planet someday. It will end in four years.

**Mr. Cox:** The OCB will end the clawback.

**The Chair:** Any other comments?

**Mrs. Carol Mitchell (Huron-Bruce):** I would be remiss in reminding people that ending the clawback only affected those on social assistance. I would remind the member that going forward with the Ontario child benefit benefits most people who need it. It's not just one group. As we have said, and will continue to say, because it's within the bill, it does end the clawback, but we can't lose sight of the good this benefit will do to not only those on social assistance, but also the working poor. We can see that, in recognition of the dollars that are contributed to it. By just ending the clawback, it would not have helped as many as the child benefit will.

**Mr. Prue:** In the four years that it takes you to do this, children who are the poorest of the poor will continue to have money taken off them by your government, money that was intended to be given by the Canadian government in Ottawa. Those children will suffer for four years until your program kicks in for them. That's the problem we have with that. We don't have a problem that everybody is entitled to it and we don't have a problem with the program in its totality; what we have a problem with is that the clawback continues for up to four years until those children are no longer subject to the provisions, until they can actually get to keep the money that is destined or should be going to them, which in other provinces they get. But here, it seems like the clawback is some kind of god that has to be worshipped for at least another four years.

**Mrs. Mitchell:** Just a comment to make: We recognize the work that we have done; there's much more to do. But in my mind, what this does is signify that we understand that it's not those on social assistance, that the working poor are suffering as well. We have committed to child poverty, and by going forward with the child benefit, it recognizes that it's not just a single group; we are affecting far more children than by just ending the clawback, which we are doing. That's my final comment.

**The Chair:** Any other comment? Thank you, gentlemen.

Are we ready for the vote then? All in favour? Opposed, if any? Carried.

I think that concludes the ones that we had agreement on to do out of the rotation. So then we will return back to our package and work from number 1 throughout.

Could I have unanimous consent to work with the schedules prior to the sections? There are three sections. If we could work on starting with schedule A, section 1.

Our packet has a substantial number of amendments. Are we in agreement? Agreed.

We'll start with schedule A, section 1, government motion number 1 in your packet.

**1030**

**Mr. Arthurs:** I move that subsection 1(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following definition:

“‘limited partner’ means, in respect of a partnership, a member of the partnership whose liability as a member of the partnership is limited by operation of a law governing the partnership arrangement, but does not include a member of a partnership whose liability as a member of the partnership is limited solely by operation of a provision of a statute of Canada or a province that limits the member's liability only for debts, obligations and liabilities of the partnership or a member of the partnership, arising from negligent acts or omissions, from misconduct or from fault of another member of the partnership or an employee, an agent or a representative of the partnership in the course of the partnership business while the partnership is a limited liability partnership; (‘commanditaire’).”

**The Chair:** Any comment?

**Mr. Arnott:** What's this all about?

**The Chair:** He has asked what it is all about.

**Mr. Arthurs:** There's certainly an explanation for each of the outstanding amendments, all 89 of them, and I'll be happy to provide the explanation as provided. Much of this is technical and much was dealt with through either the fall economic statement or the 2007 budget. Because of a change in income tax legislation, taking two and effectively building one and harmonizing, there are a number of changes that need to be made. Adding this definition will reflect the current administrative practice that members of limited liability partnerships, such as accounting firms, can claim their share of certain Ontario tax credits. As a result of this new definition, members of these partnerships would not be considered as limited partners and thus would not be subject to restrictions imposed on limited partners in claiming credits. I hope that helps.

**The Chair:** Any other comment? Hearing none, all in favour? Opposed, if any? Carried.

Perhaps the committee could remember the technical briefing that was given the other day.

Shall schedule A, section 1, as amended, carry? All in favour? Opposed, if any? Carried.

We have no amendments to schedule A, sections 2 to 29, inclusive. Can we put those together and vote on them as one? Agreed. All in favour? Opposed? Carried through those sections.

The next in your package is number 2, government motion, section 29.1.

**Mr. Arthurs:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Change in tax status

“29.1 If at any time a corporation becomes or ceases to be exempt from tax under part I of the federal act on its taxable income otherwise than by reason of paragraph 149(1)(t) of the federal act, the corporation is deemed to be a new corporation whose first taxation year begins at that time for the purposes of applying this division to the corporation to determine the amount, if any, deductible in computing the amount of the corporation’s tax payable under this division.”

**The Chair:** Any comment? Hearing none, all in favour? Opposed, if any? Carried.

We have no amendments for schedule A, sections 30 through 34, inclusive. Can I put those together for the question? Agreed. All in favour? Opposed, if any? Carried.

We have a government motion, page 3, subsection 35(2).

**Mr. Arthurs:** I move that subsection 35(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“Adjusted crown royalties

“(2) The amount of a corporation’s adjusted crown royalties for a taxation year is the amount, if any, by which ‘E’ exceeds ‘F’ where,

“‘E’ is the sum of,

“(a) all additional amounts that, if the Corporations Tax Act were to apply for the year, would be added in computing the corporation’s income for the year for the purposes of that act because of the application of any of subsections 11.0.1(2), (3) or (5) or 26(4.1), paragraph 1 of subsection 26(7) or subsection 31(1.2) of that act, and

“(b) all amounts each of which would, if the Corporations Tax Act were to apply for the year, be a reduction in the corporation’s share of a loss from a partnership in the year for the purposes of that act because of the application of subsection 31(1.2) of that act, and

“‘F’ is the sum of all amounts each of which would, if the Corporations Tax Act were to apply for the year, be a reduction in the amount added in computing the corporation’s income for the year for the purposes of that act because of the application of paragraph 2 of subsection 26(7) of that act.”

**The Chair:** Comment?

**Mr. Prue:** Just a question: What would the net effect of this change that you’re making be?

**Mr. Arthurs:** Where’s our official? You’ll have to stay up here.

**The Chair:** Just identify yourself for the purposes of Hansard and then you can begin.

**Mr. Arthurs:** Let me just do the quick explanation and then if there’s more needed we’ll certainly have the expertise available.

**Mr. Prue:** I’ve just seen this. It’s paragraph (b) and then, where it starts “F,” that’s what has been added. I just need to know what that’s—

**Mr. Arthurs:** The understanding is the provisions of Bill 174 replace the resource allowance for mining and oil and gas companies with an equivalent tax credit debit mechanism.

**Mr. Prue:** Does this have any effect on the controversy that’s circling around De Beers and Attawapiskat?

**Mr. Arthurs:** This has nothing to do with diamond mining. Diamond mining is separate as a royalty structure. But, again, the officials can clarify that.

**Mr. Charles Whitfield:** Yes, I’m Charles Whitfield. I’m the manager of the corporate tax administration redesign project, the Ministry of Finance. What this motion does is it ensures that a tax credit that’s provided under the new mechanism cannot be increased through the use of partnerships.

**Mr. Prue:** Cannot be increased—sorry. You turned towards me and I couldn’t hear it.

**Mr. Whitfield:** Sorry. It cannot be increased through the use of partnerships.

**Mr. Prue:** Okay.

**The Chair:** No further comment? All in favour? Opposed, if any? Carried.

Shall schedule A, section 35, as amended, carry? All in favour? Opposed? Carried.

Government motion number 4.

**Mr. Arthurs:** I move that subsection 36(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “sections 32 and 42 and subdivision c” and substituting “sections 32, 33, 34 and 36.2, subsection 38(3) and section 42.”

**The Chair:** Any comment? Hearing none, all in favour? Opposed? Carried.

Shall schedule A, section 36, as amended, carry? All in favour? Opposed? Carried.

We have a new section, number 5.

**Mr. Arthurs:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Subdivision b.1—Ontario Research and Development Tax Credit

“Definitions

“36.1(1) In this subdivision,

“‘contract payment’ means a payment that is a contract payment for the purposes of section 127 of the federal act; (‘paiement contractuel’)

“‘current portion’ means, in respect of a corporation’s Ontario research and development tax credit at the end of a taxation year, the sum of,

“(a) all amounts each of which is added under clause (a) or (b) of the definition of ‘A’ in subsection (2) in computing the corporation’s Ontario research and development tax credit at the end of the year, and

“(b) all amounts each of which is added under clause (d) or (e) of the definition of ‘A’ in subsection (2) in computing the corporation’s Ontario research and development tax credit at the end of the year by reason of a repayment made by the corporation in the year; (‘portion de l’année’)

“‘eligible expenditure’ means, in respect of a corporation, an expenditure attributable to a permanent establishment in Ontario that would be a qualified expenditure for the purposes of section 127 of the federal act in respect of scientific research and expenditure develop-

ment carried on in Ontario if that section were read without reference to subsections (18) to (21) of that section; ('dépense admissible')

"government assistance' has the same meaning as in section 127 of the federal act, except that a tax credit under this subdivision is deemed not to be government assistance; ('aide gouvernementale')

"non-government assistance' has the same meaning as in section 127 of the federal act. ('aide non gouvernementale')

#### 1040

"Ontario research and development tax credit

"(2) Subject to subsections (3) and 36.6(2), the amount of a corporation's Ontario research and development tax credit at the end of a taxation year for the purposes of this subdivision is the amount, if any, by which 'A' exceeds 'B' where,

"A' is the sum of,

"(a) 4.5% of the corporation's Ontario SR&ED expenditure pool at the end of the year,

"(b) the sum of amounts required by subsection 36.3(1) to be added in computing the corporation's Ontario research and development tax credit at the end of the year,

"(c) the sum of all amounts each of which is an amount determined under clause (a) or (b) in respect of the corporation for any of the 20 taxation years preceding or the three taxation years following the year,

"(d) the sum of all amounts each of which is 4.5 per cent of that part of a repayment, other than a repayment to which clause (e) applies, made by the corporation in the year or in any of the 20 taxation years preceding or the three taxation years following the year that can reasonably be considered to be, for the purposes of section 36.4, a repayment of government assistance, non-government assistance or a contract payment that reduced, for the purposes of this subdivision, an eligible expenditure incurred by the corporation, and

"(e) the sum of all amounts each of which is 4.5 per cent of one-quarter of that part of a repayment made by the corporation in the year or in any of the 20 taxation years preceding or the three taxation years following the year that can reasonably be considered to be, for the purposes of section 36.4, a repayment of government assistance, non-government assistance or a contract payment that reduced, for the purposes of this subdivision, an eligible expenditure incurred by the corporation in respect of first term shared-use-equipment or second term shared-use-equipment and, for the purposes of this clause, a repayment made by the corporation in any taxation year preceding the first taxation year that ends coincidentally with the first period or the second period in respect of first term shared-use-equipment or second term shared-use-equipment, respectively, is deemed to have been incurred by the corporation in that first taxation year, and

"B' is the sum of,

"(a) the sum of all amounts each of which is an amount deducted under section 36.2 in computing the

corporation's tax payable under this division for a preceding taxation year in respect of the current portion of the corporation's Ontario research and development tax credit at the end of the year or at the end of any of the 20 taxation years preceding or the two taxation years following the year,

"(b) the amount determined under subsection 36.7(1) where control of the corporation has been acquired by a person or group of persons at any time before the end of the year, and

"(c) the amount determined under subsection 36.7(2) where control of the corporation has been acquired by a person or group of persons at any time after the end of the year.

"Amounts to be excluded in calculation of credit

"(3) In determining the amount of a corporation's Ontario research and development tax credit at the end of a taxation year, no amount shall be included in an amount determined under any of clauses (a), (b), (c), (d) or (e) of the definition of 'A' in subsection (2) in respect of an eligible expenditure that would, if the federal act were read without reference to subsections 78(4) and 127(26) of that act, be incurred by the corporation in the course of earning income in a particular taxation year if,

"(a) any of the income is exempt income or is exempt from tax under this division; or

"(b) the corporation does not file with the federal minister a form containing the information in respect of the amount as required by paragraph (m) of the definition of 'investment tax credit' in subsection 127(9) of the federal act on or before the day that is one year after the corporation's filing-due date for the particular year.

"Ontario SR&ED expenditure pool

"(4) The amount of a corporation's Ontario SR&ED expenditure pool at the end of a taxation year for the purposes of this subdivision is nil for a taxation year ending before January 1, 2009 and, for a taxation year ending after December 31, 2008, is the amount calculated using the formula,

$$"C+D-E$$

"in which,

"C' is the sum of all amounts each of which is an eligible expenditure incurred by the corporation in the year,

"D' is the sum of all amounts each of which is an amount determined under paragraph 2 of section 36.5 for the year in respect of the corporation, and in respect of which the corporation has, for the purposes of the value of 'B' in the definition of 'SR&ED qualified expenditure pool' in subsection 127 (9) of the federal act, filed with the federal minister a prescribed form containing prescribed information by the day that is 12 months after the corporation's filing-due date for the year, and

"E' is the sum of all amounts each of which is an amount determined under paragraph 1 of section 36.5 for the year in respect of the corporation.

"Application of certain provisions of s. 127 of the federal act



“(5) For the purposes of this subdivision, the definitions of ‘first period’, ‘first term shared-use-equipment’, ‘second period’ and ‘second term shared-use-equipment’ in subsection 127(9) of the federal act and subsections 127(11.2), (17) and (26) of the federal act apply.

“Application of other provisions of the federal act

“(6) A provision of the federal act or federal regulations, other than a provision in section 127 of the federal act, that applies for the purposes of applying a provision in section 127 of that act for the purposes of that act applies for the purposes of this subdivision, unless otherwise provided in this subdivision.

“Rules re corporate reorganization

“(7) The following rules apply for the purposes of this subdivision:

“1. A corporation formed as a result of an amalgamation or merger of two or more predecessor corporations is deemed to be the same corporation as and a continuation of each of its predecessor corporations except for the purposes of determining the amount of tax payable under this division by the predecessor corporations.

“2. A parent corporation is deemed, after the last taxation year of its subsidiary corporation, to be the same corporation as and a continuation of the subsidiary corporation except for the purposes of determining,

“i. the amount of tax payable under this division by the parent corporation for a taxation year ending at or before the end of the last taxation year of its subsidiary, and

“ii. the amount of tax payable under this division by the subsidiary corporation.”

**The Chair:** Thank you. Page 2, Mr. Arthurs, the first line: I believe you said “expenditure,” but, the first word?

**Mr. Arthurs:** “Experimental”?

**The Chair:** Do you want to just read that first line over again?

**Mr. Arthurs:** “... experimental development carried on in Ontario if that section were read without reference to subsections (18) to (21) of that section.”

**The Chair:** Any comment? Mr. Prue?

**Mr. Prue:** I’m not sure I understand it, so I wonder if Mr. Arthurs could read it again.

**Mr. Arthurs:** There’s probably another section just like it. I’m sure there are three or four more opportunities.

**The Chair:** Any other comment? Hearing none, all in favour? Opposed? Carried.

New section on page 6, section 36.2. Mr. Arthurs.

**Mr. Arthurs:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Ontario research and development tax credit deduction

“36.2(1) A corporation may, in computing the amount of its tax payable under this division for a taxation year, deduct an amount in respect of its Ontario research and

development tax credit at the end of the year not exceeding the sum of,

“(a) the lesser of,

“(i) the amount that would be the corporation’s Ontario research and development tax credit at the end of the year if,

“(A) clauses (c), (d) and (e) of the definition of ‘A’ in subsection 36.1 (2) were read without reference to the expression ‘or the three taxation years following’,

“(B) clause (a) of the definition of ‘B’ in subsection 36.1(2) were read without reference to the expression ‘or the two taxation years following’, and

“(C) the definition of ‘B’ in subsection 36.1(2) were read without clause (c), and

“(ii) the corporation’s tax payable under this division for the year, determined without reference to this section and section 42; and

“(b) the lesser of,

“(i) the amount, if any, by which the amount determined for the year under subclause (a)(ii) exceeds the amount determined for the year under subclause (a)(i), and

“(ii) the corporation’s eligible future balance at the end of the year.

“Eligible future balance

“(2) For the purposes of subclause (1)(b)(ii), a corporation’s eligible future balance at the end of a taxation year is equal to the amount, if any, by which ‘A’ exceeds ‘B’ where,

“‘A’ is the amount, if any, by which the corporation’s Ontario research and development tax credit at the end of the year exceeds the amount determined for the year under subclause (1)(a)(i), and

“‘B’ is the sum of,

“(a) the lesser of,

“(i) the portion of the amount of ‘A’ attributable to the first taxation year after the taxation year, and

“(ii) the amount that would be deductible under this section for the first taxation year after the taxation year if that amount were determined without reference to clause (1)(b),

“(b) the lesser of,

“(i) the portion of the amount of ‘A’ attributable to the second taxation year after the taxation year, and

“(ii) the amount that would be deductible under this section for the second taxation year after the taxation year if that amount were determined without reference to clause (1)(b), and

“(c) the lesser of,

“(i) the portion of the amount of ‘A’ attributable to the third taxation year after the taxation year, and

“(ii) the amount that would be deductible under this section for the third taxation year after the taxation year if that amount were determined without reference to clause (1)(b).”

**1050**

**The Chair:** Comment? Hearing none, all in favour? Opposed, if any? Carried.

A new section, page 7.

**Mr. Arthurs:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Partnerships

“Allocation of partnership’s tax credit to corporate partner

“36.3(1) Subject to subsections 36.1(3) and 36.8(3), if a corporation is a member of a partnership, other than a specified member, in a particular taxation year and an amount is determined in respect of the partnership for its fiscal period that ends in the particular year under clause (a) or (d) of the definition of ‘A’ in subsection 36.1(2), the portion of that amount that can reasonably be considered to be the corporation’s share shall be added in computing the amount of the corporation’s Ontario research and development tax credit at the end of the particular year.

“Rules re partnerships

“(2) The following rules apply in respect of partnerships for the purposes of this subdivision:

“1. In determining an amount in respect of a partnership under clause (a) or (d) of the definition of ‘A’ in subsection 36.1(2) for a fiscal period,

“i. subsection 36.1(3) and sections 36.5, 36.6 and 36.7 do not apply, and

“ii. the partnership is deemed to be a corporation and the fiscal period is deemed to be a taxation year.

“2. Section 36.4 applies as if,

“i. a partnership were a corporation and each fiscal year were a taxation year, and

“ii. a partnership’s filing-due date for a taxation year is the day that would be its filing-due date for the taxation year if it were a corporation.

“3. If a fiscal period of a partnership ends in 2008, the fiscal period is deemed to end after December 31, 2008 for the purposes of determining the Ontario SR&ED expenditure pool of a corporation that is a member of the partnership.

“Specified amount

“(3) For the purposes of this section, a partnership’s specified amount for a fiscal period is the amount, if any, by which the sum of the amounts determined under clauses (a) and (d) of the definition of ‘A’ in subsection 36.1(2) in respect of the partnership for the fiscal period exceeds the amount deducted under subsection 36.8(3) in respect of the partnership for the fiscal period in computing the amount determined under subsection (1) in respect of the partnership.

“Allocation to corporate partners of unallocated amounts

“(4) For the purposes of subsection (1), if a corporation is a member of a partnership, other than a specified member, throughout a fiscal period of the partnership, there shall be added to the amount, if any, that can reasonably be considered to be the corporation’s share of the partnership’s specified amount for the fiscal period the amount, if any, that is such portion of the amount determined under subsection (5) in respect of that fiscal period as is reasonable in the circumstances having

regard to the investment in the partnership, including debt obligations of the partnership, of each of the members of the partnership,

“(a) who was a member of the partnership throughout the fiscal period; and

“(b) who was not a specified member of the partnership during that fiscal period.

“Amount of unallocated partnership tax credits

“(5) For the purposes of subsection (4), the amount determined under this subsection in respect of a fiscal period of a partnership is the amount by which the partnership’s specified amount for the fiscal period exceeds the sum of,

“(a) the amount of all amounts each of which is an amount determined under subsection (1) to be a partner’s share of the partnership’s specified amount for the fiscal period; and

“(b) the portion of the partnership’s specified amount for the fiscal period that is attributable to,

“(i) the interests in the partnership of individuals who are not specified members of the partnership,

“(ii) the interest of another partnership in the partnership, and

“(iii) if the fiscal period ends in 2008, the interest in the partnership of each person having a taxation year ending in 2008 in which the fiscal period ends.”

**The Chair:** Comment?

**Mr. Prue:** Again, I don’t know about this, because I’m reading along, but I think there were a couple of errors made that I think should be corrected. If perhaps Mr. Arthurs can read the top line on page 2, where he used the words “fiscal year were a taxation year” as opposed to “fiscal period were a taxation year.”

**Mr. Arthurs:** Sorry; the top line—

**Mr. Prue:** The top line on page 2.

**Mr. Arthurs:** Okay.

“i. a partnership were a corporation and each fiscal period were a taxation year, and”

**Mr. Prue:** And the second one, which I believe was also an error, was 5(a), where a different statement was made to the one that is written.

**Mr. Arthurs:** Okay, I’ll be happy to do that.

“(a) the sum of all amounts each of which is an amount determined under subsection (1) to be a partner’s share of the partnership’s specified amount for the fiscal period; and”

It’s these bifocals.

**The Chair:** Thank you. Any other comment? Hearing none, all in favour? Opposed, if any? Carried.

**Mr. Arthurs:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Reduction of eligible expenditures, receipt of assistance

“36.4(1) If, on or before the filing-due date for a taxation year of a corporation, the corporation has received, is entitled to receive or can reasonably be expected to receive a particular amount that is government assistance, non-government assistance or a contract payment that

can reasonably be considered to be in respect of scientific research and experimental development, the amount by which the particular amount exceeds all amounts applied for preceding taxation years under this subsection or subsection (2) or (3) in respect of the particular amount shall be applied to reduce the corporation's eligible expenditures otherwise incurred in the year that can reasonably be considered to be in respect of the scientific research and experimental development.

“Same

“(2) If, on or before the filing-due date for a taxation year of a corporation, the corporation (in this subsection referred to as the ‘recipient’) has received, is entitled to receive or can reasonably be expected to receive a particular amount that is government assistance, non-government assistance or a contract payment that can reasonably be considered to be in respect of scientific research and experimental development and the particular amount exceeds the sum of the following amounts, the particular amount shall be applied to reduce the sum otherwise determined that is referred to in paragraph 3:

“1. All amounts applied for preceding taxation years under this subsection or subsection (1) or (3) in respect of the particular amount, determined before the application of subsection (4) in respect of the recipient's taxation year.

“2. The sum of all amounts each of which would be an eligible expenditure that is incurred by the recipient in its taxation year and that can reasonably be considered to be in respect of the scientific research and experimental development if subsection (1) did not apply to the particular amount.

“3. The sum of all amounts each of which would, but for the application of this subsection to the particular amount, be an eligible expenditure,

“i. that was incurred by another corporation in a taxation year of the other corporation that ended in the recipient's taxation year, and

“ii. that can reasonably be considered to be in respect of the scientific research and experimental development to the extent that it was performed by the other corporation at a time when the other corporation was not dealing at arm's length with the recipient.

“Agreement to allocate

“(3) If a particular amount for a taxation year is determined under subsection 127(20) of the federal act as a consequence of an agreement referred to in that subsection between a corporation (in this subsection referred to as the ‘transferor’) and another corporation (the ‘transferee’) and subsection 127(22) of the federal act does not apply to the agreement, the lesser of the following two amounts shall be applied to reduce the eligible expenditures otherwise determined that are described in paragraph 2:

“1. The portion, if any, of the amount specified in the agreement that can reasonably be considered to be in respect of the amount described in paragraph 2.

“2. The amount of all amounts each of which would, but for the agreement, be an eligible expenditure,

“i. that was incurred by the transferee in a particular taxation year of the transferee that ended in the transferor's taxation year, and

“ii. that can reasonably be considered to be in respect of the scientific research and experimental development to which the particular amount relates to the extent that it was performed by the transferee at a time when the transferee was not dealing at arm's length with the transferor.

“Failure to allocate

“(4) If, on or before the filing-due date for a taxation year of a corporation (in this subsection referred to as the ‘recipient’), the recipient has received, is entitled to receive or can reasonably be expected to receive a particular amount that is government assistance, non-government assistance or a contract payment that can reasonably be considered to be in respect of scientific research and experimental development and subsection (2) does not apply to the particular amount in respect of the year, the lesser of the following two amounts is deemed for the purposes of this subdivision to be an amount of government assistance received by another corporation in respect of the scientific research and experimental development at the end of a particular taxation year of the other corporation that ends in the recipient's taxation year:

“1. The sum of all amounts each of which is an eligible expenditure,

“i. that was incurred by the other corporation in the particular taxation year,

“ii. that can reasonably be considered to be in respect of the scientific research and experimental development to the extent that it was performed by the other corporation at a time when the other corporation was not dealing at arm's length with the recipient.

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“2. The amount, if any, by which the particular amount exceeds the amount that would be the sum of the amounts applied for the year and preceding taxation years under subsection (1), (2) or (3) in respect of the particular amount, if that sum were determined without reference to the application of this subsection for the year.

“Repayment of assistance

“(5) For the purposes of clause (d) of the definition of ‘A’ in subsection 36.1(2), an amount of government assistance, non-government assistance or a contract payment that satisfies all of the following conditions is deemed to be the amount of a repayment by the corporation in a taxation year of the government assistance, non-government assistance or contract payment, as the case may be:

“1. The amount was applied under this section to reduce an eligible expenditure that was incurred by the corporation.

“2. The amount was not received by the corporation.

“3. The amount ceased in the taxation year to be an amount that the corporation can reasonably be expected to receive.”

**Mr. Prue:** Under “Agreement to allocate,” number (3)2, the top sentence, if it could be reread. I believe there was an error. It reads “the sum of all amounts.”

**Mr. Arthurs:** Right, okay, roman numeral ii?

**Mr. Prue:** No, just paragraph 2.

**Mr. Arthurs:** The sum of all amounts?

**Mr. Prue:** The sum of all amounts, yes.

**Mr. Arthurs:** “The sum of all amounts each of which would, be for the application of this subsection to the particular amount”—

**Mr. Prue:** No, that’s not the one. It’s “agreement,” about two thirds of the way down the page on page 2. Arabic 2, “The sum of all amounts each of which would....”

**Mr. Arthurs:** “The sum of all amounts each of which would, but for the agreement, be an eligible expenditure.”

**Mr. Prue:** Thank you.

**The Chair:** Any other comment? Hearing none. All in favour? Opposed, if any? Carried.

That brings us to number 9, government motion.

**Mr. Arthurs:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Transfer of eligible expenditures

“36.5 If a particular amount is deemed under subsection 127(13) of the federal act to be an amount determined in respect of a corporation (in this section called the ‘transferor’) for a taxation year under paragraph 127(13)(d) of that act as a consequence of an agreement or amended agreement referred to in subsection 127(13) of that act between the transferor and another corporation (in this section called the ‘transferee’) and subsection 127(15) of that act does not apply to the agreement, the following rules apply:

“1. There shall be included in the value of ‘E’ in the calculation of the transferor’s Ontario SR&ED expenditure pool under subsection 36.1(4) the portion, if any, of the particular amount that may reasonably be considered to be in respect of the amount that, but for the agreement, would be the transferor’s Ontario SR&ED pool at the end of the year.

“2. If subsection 127(16) of the federal act does not apply in respect of the agreement, the amount determined under paragraph 1 is deemed to be an amount determined in respect of the transferee for the purposes of determining the value of ‘D’ in the calculation of the transferee’s Ontario SR & ED expenditure pool under subsection 36.1(4) for the transferee’s first taxation year that ends at or after the end of the year.”

**The Chair:** Thank you. Any comment? Hearing none, all in favour? Opposed, if any? Carried.

Number 10. Ms. Mitchell.

**Mrs. Mitchell:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Waiver of tax credit

“36.6(1) A corporation may waive its eligibility for all or a portion of the current portion of its Ontario research and development tax credit at the end of a taxation year

by delivering a written waiver identifying the amounts referred to in clause (a) or (b) of the definition of ‘current portion’ in subsection 36.1(1) with its return required to be delivered under this act for the year or in an amended return for that year.

“Same

“(2) If a corporation files a waiver under subsection (1) in respect of a taxation year, each amount that is relevant to the calculation of an amount identified in the waiver is deemed never to have been paid or incurred for the purposes of the application of this subdivision to the corporation.”

**The Chair:** Thank you. Comment? Hearing none, all in favour? Opposed, if any? Carried.

Motion 11. Ms. Mitchell?

**Mrs. Mitchell:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Control acquired before the end of the year

“36.7(1) If control of a corporation has been acquired by a person or group of persons at any time (in this subsection referred to as ‘that time’) before the end of a taxation year of the corporation, the amount determined for the purposes of clause (b) of the definition of ‘B’ in subsection 36.1(2) is the amount, if any, by which ‘A’ exceeds ‘B’ where,

“‘A’ is the amount, if any, by which ‘C’ exceeds ‘D’ where,

“‘C’ is the sum of all amounts added in computing the corporation’s Ontario research and development tax credit at the end of the year in respect of the current portion of its Ontario research and development tax credit at the end of a taxation year ending before that time, and

“‘D’ is the sum of all amounts each of which is an amount included by the corporation under clause (a) of the definition of ‘B’ in subsection 36.1(2) in computing its Ontario research and development tax credit at the end of the year under that subsection, to the extent that the amount may reasonably be considered to have been included in respect of the current portion of its Ontario research and development tax credit at the end of a taxation year ending before that time, and

“‘B’ is the amount that, but for sections 36.2 and 42, would be the corporation’s tax payable under this division for the year multiplied by the ratio of ‘E’ to ‘F’ where,

“‘E’ is, if throughout the year the corporation carried on a particular business in the course of which an eligible expenditure was made before that time in respect of which an amount is included in computing its Ontario research and development tax credit at the end of the year, the amount, if any, by which ‘G’ exceeds ‘H’ where,

“‘G’ is the sum of all amounts each of which is,

“(a) its income for the year from the particular business, or

“(b) its income for the year from any other business substantially all the income of which was derived from

the sale, leasing, rental or development of properties or the rendering of services similar to the properties sold, leased, rented or developed, or the services rendered, as the case may be, by the corporation in carrying on the particular business before that time, and

“‘H’ is the sum of all amounts each of which is an amount deducted under paragraph 111(1)(a) or (d) of the federal act for the year by the corporation in respect of a non-capital loss or a farm loss, as the case may be, for a taxation year in respect of the particular business or the other business, and

“‘F’ is the greater of,

“(a) the amount determined as ‘E’ for the year, and

“(b) the corporation’s taxable income or taxable income earned in Canada, as the case may be, for the year.

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“Control acquired after the end of the year

“(2) If control of a corporation has been acquired by a person or group of persons at any time (in this subsection referred to as ‘that time’) after the end of a particular taxation year of the corporation, the amount determined for the purposes of clause (c) of the definition ‘B’ in subsection 36.1(2) is the amount, if any, by which ‘I’ exceeds ‘J’ where,

“‘I’ is the sum of all amounts each of which is an amount included in computing the corporation’s Ontario research and development tax credit at the end of the particular year in respect of the current portion of its Ontario research and development tax credit at the end of a taxation year ending after that time, and

“‘J’ is the amount that, but for sections 36.2 and 42, would be the corporation’s tax payable under this division for the particular year multiplied by the ratio of ‘K’ to ‘L’ where,

“‘K’ is, if the corporation has made an eligible expenditure in the course of carrying on a particular business throughout a taxation year that ends after that time, in respect of which an amount is included in computing its Ontario research and development tax credit at the end of the particular year, the amount, if any, by which ‘M’ exceeds ‘N’ where,

“‘M’ is the sum of all amounts each of which is,

“(a) its income for the particular year from the particular business, or

“(b) if the corporation carried on the particular business in the particular year, its income for the particular year from any other business substantially all the income of which was derived from the sale, leasing, rental or development of properties or the rendering of services similar to the properties sold, leased, rented or developed, or the services rendered, as the case may be, by the corporation in carrying on the particular business before that time, and

“‘N’ is the sum of all amounts each of which is an amount deducted under paragraph 111(1)(a) or (d) of the federal act for the particular year by the corporation in respect of a non-capital loss or a farm loss, as the case

may be, for a taxation year in respect of the particular business or the other business, and

“‘L’ is the greater of,

“(a) the amount determined as ‘K’ for the particular year, and

“(b) the corporation’s taxable income or taxable income earned in Canada, as the case may be, for the particular year.”

**The Chair:** Thank you. Any comments? Hearing none, all in favour? Opposed, if any? Carried.

Number 12. Ms. Van Bommel.

**Mrs. Maria Van Bommel (Lambton–Kent–Middlesex):** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Recapture of tax credit

“Definition

“36.8(1) In this section, ‘eligible property’ means,

“(a) in respect of a corporation, property,

“(i) the cost of which was incurred by the corporation in a taxation year ending after December 31, 2008, and

“(ii) all or part of the cost of which is an eligible expenditure of the corporation, or

“(b) in respect of a partnership, property,

“(i) the cost of which was incurred by the partnership in a fiscal period ending in a taxation year of a corporate member of the partnership that ends after December 31, 2008, and

“(ii) all or part of the cost of which would be an eligible expenditure of the partnership if the partnership were a corporation.

“Amount of recapture

“(2) There shall be added in computing a corporation’s tax payable under this division for a taxation year 23.56% of the sum of all amounts each of which is an amount that would be added under subsection 127(27), (29) or (34) of the federal act in computing the corporation’s tax payable under part I of the federal act for the year in respect of an eligible property of the corporation if the definition of ‘investment tax credit’ in subsection 127(9) of the federal act were read without reference to paragraph (e) of that definition.

“Same, tax credit earned through partnership

“(3) There shall be deducted in computing the amount determined under subsection 36.3(1) in respect of a partnership at the end of a particular fiscal period 23.56% of the sum of all amounts each of which would be deducted pursuant to subsection 127(28) or (35) of the federal act in computing an amount under subsection 127(8) of the federal act in respect of an eligible property of the partnership at the end of the particular fiscal period, if,

“(a) the definition of ‘investment tax credit’ in subsection 127(9) of the federal act were read without reference to paragraph (e) of that definition; and

“(b) the amount that would be determined under subsection 127(8) of the federal act, without reference to subsections 127(28) and (35) of the federal act, were a sufficiently high amount.

“Same

“(4) If a corporation is a member of a partnership and the sum of all amounts each of which is determined in respect of an eligible property of the partnership for a fiscal period under subsection (3) exceeds the amount that would be determined in respect of the partnership under subsection 36.3(1) for the fiscal period, if subsection (3) did not apply, the portion of the excess that can reasonably be considered to be the corporation’s share of the excess shall be added in computing the corporation’s tax payable under this division for the corporation’s taxation year in which the fiscal period ends.

“Tiered partnership

“(5) If a corporation is a member of a particular partnership that is a member of another partnership and an amount would be added to the particular partnership’s tax payable under this division for the year pursuant to subsection (4), if the particular partnership were a corporation and its fiscal period were its taxation year, that amount is deemed to be an amount that is required by subsection (3) to be deducted in computing the amount under subsection 36.3(1) in respect of the particular partnership at the end of the fiscal period.”

**The Chair:** Hearing no comment, all in favour? Opposed, if any? Carried.

Now we move to schedule A, section 37, page 13.

**Mr. Arthurs:** I move that the definition of “completion time” in subsection 37(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“‘completion time’ means, in respect of a winding-up of a subsidiary corporation, the end of the subsidiary corporation’s taxation year during which, for the purposes of paragraph 88(1)(e.2) of the federal act, its assets were distributed to its parent corporation on the winding-up; (‘date de réalisation’).”

**The Chair:** Comment, if any? Hearing none, all in favour? Opposed, if any? Carried.

**Mr. Arthurs:** I move that subclause (f)(i) of the definition of “eligible amalgamation” in subsection 37(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “eligible winding-up” and substituting “eligible post-2008 winding-up.”

**The Chair:** Comment? Hearing none, all in favour? Opposed? Carried.

**Mr. Arthurs:** I move that the definition of “eligible winding-up” in subsection 37(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“‘eligible post-2008 winding-up’ means, in respect of a subsidiary corporation, a winding-up of the subsidiary corporation in the course of which assets are distributed to the subsidiary corporation’s parent corporation where,

“(a) the completion time of the winding-up is after December 31, 2008,

“(b) for the purposes of paragraph 88(1)(e.2) of the federal act, the parent corporation’s taxation year during which it received the assets of the subsidiary corporation on the winding-up ended after December 31, 2008,

“(c) the subsidiary corporation has a permanent establishment in Ontario during its taxation year ending at the completion time,

“(d) the parent corporation has a permanent establishment in Ontario during the taxation year in which, for the purposes of paragraph 88(1)(e.2) of the federal act, it received the assets of the subsidiary corporation on the winding-up, and

“(e) the time immediately after the completion time is in the amortization period of the subsidiary corporation and is in the amortization period of the parent corporation; (‘liquidation postérieure à 2008 admissible’)

“‘eligible pre-2009 winding-up’ means, in respect of a subsidiary corporation, a winding-up of the subsidiary corporation where,

“(a) the completion time of the winding-up is after December 31, 2008 and, for the purposes of paragraph 88(1)(e.2) of the federal act, the parent corporation’s taxation year during which it received the assets of the subsidiary corporation on the winding-up ended before January 1, 2009, or

“(b) the completion time is before January 1, 2009 and, for the purposes of paragraph 88(1)(e.2) of the federal act, the parent corporation’s taxation year during which it received the assets of the subsidiary corporation on the winding-up ended after December 31, 2008; (‘liquidation antérieure à 2009 admissible’).”

**1120**

**The Chair:** Any comment? Hearing none, all in favour? Opposed, if any? Carried.

Motion 16.

**Mr. Arthurs:** I move that subsection 37(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following definition:

“‘federal SR & ED transitional balance’ means, in respect of a corporation, its federal SR & ED transitional balance as determined under section 39.1; (‘solde transitoire au titre de la recherche et du développement selon les règles fédérales’).”

**The Chair:** Comment, if any? All in favour? Opposed, if any? Carried.

Motion 17.

**Mr. Arthurs:** I move that subclause 37(2)(b)(ii) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “eligible winding-up” and substituting “eligible post-2008 winding-up.”

**The Chair:** All in favour? Opposed, if any? Carried.

Page 18.

**Mr. Arthurs:** I move that subsection 37(5) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following paragraph:

“5. If assets of the corporation have been distributed in the course of a winding-up, the winding-up is not an eligible pre-2009 winding-up.”

**The Chair:** All in favour? Opposed? Carried.

Shall schedule A, section 37, as amended, carry? All in favour? Opposed? Carried.

We’re doing well, committee. We have 71 left.

**Mr. Arthurs:** It’s cruel and unusual punishment.

**The Chair:** Schedule A, section 38, government motion on page 19.

**Mrs. Mitchell:** I move that subsection 38(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“Liability for additional tax

“38(1) There shall be added in computing a specified corporation’s tax under this division for a taxation year the amount of additional tax determined as follows:

“1. If a regulation is in force limiting the amount of additional tax to be added under this subdivision in computing a specified corporation’s tax under this division for the taxation year, the amount of the additional tax for the year is the sum of the amount determined under subsection 39(2.1) in respect of the corporation for the year if the corporation made an election referred to in clause (b) of the definition of ‘I’ in paragraph 1 of subsection 39(3) and the lesser of,

“i. the maximum amount of additional tax determined in respect of the corporation under that regulation for the year, and

“ii. the amount determined under subsection 39(1) in respect of the corporation for the year.

“2. If no regulation described in paragraph 1 is in force in respect of the corporation for the year, the amount of the additional tax for the year is the sum of,

“i. the amount determined under subsection 39(2.1) in respect of the corporation for the year if an election referred to in clause (b) of the definition of ‘I’ in paragraph 1 of subsection 39(3) is made, and

“ii. the amount determined under subsection 39(1) in respect of the corporation for the year.”

**The Chair:** Comment, if any? All in favour? Opposed, if any? Carried.

Shall schedule A, section 38, as amended, carry? All in favour? Opposed? Carried.

Schedule A, section 39, page 20.

**Mrs. Mitchell:** I move that subsection 39(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out the portion before the formula and substituting the following:

“Amount of additional tax

“39(1) For the purposes of subparagraphs 1 ii and 2 ii of subsection 38(1), the amount determined under this subsection is calculated using the formula.”

**The Chair:** Comment? Hearing none, all in favour? Opposed? Carried.

Page 21.

**Mrs. Mitchell:** I move that section 39 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following subsection:

“Same

“(2.1) For the purposes of paragraphs 1 and 2 of subsection 38(1), the amount determined under this subsection in respect of a corporation for a taxation year is the lesser of,

“(a) the corporation’s post-2008 SR & ED balance at the end of the year, as determined under section 39.1; and

“(b) the corporation’s federal SR & ED transitional balance at the end of the year, as determined under section 39.1.”

**The Chair:** Comment? All in favour? Opposed? Carried.

Page 22.

**Mrs. Mitchell:** I move that paragraph 1 of subsection 39(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out the portion before the definition of “F” and substituting the following:

“1. If the corporation was a specified corporation at its transition time, the amount calculated using the formula,

“F + G + H + I + J - K + L + M + N + P + 0.5Q + R + S + S.1

“in which.”

**Mr. Prue:** The poor man had to translate that into French.

**The Chair:** Any other comment? All in favour? Opposed? Carried.

Page 23.

**Mrs. Van Bommel:** I move that the definition of “I” in paragraph 1 of subsection 39(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“‘I’ is,

“(a) nil, if control of the corporation was acquired, for the purposes of subsection 37(6.1) of the federal act, by a person or group of persons at the corporation’s transition time,

“(b) if clause (a) does not apply and the corporation elects in writing in its return for its first taxation year ending after December 31, 2008 to have this clause apply, the amount, if any, by which ‘I.1’ exceeds the lesser of ‘I.2’ and ‘I.3’ where,

“‘I.1’ is the amount, if any, by which the amount that would be deductible under subsection 37(1) of the federal act in computing the corporation’s income for its last taxation year ending before its transition time if subsection 37(6.1) of the federal act were read without reference to paragraph (b) of that subsection exceeds the portion of that amount deducted in computing the corporation’s income for its last taxation year ending before the transition time,

“‘I.2’ is the amount, if any, by which ‘I.1’ exceeds ‘W’ in respect of the corporation under paragraph 1 of subsection (4), and

“‘I.3’ is the amount, if any, by which the amount that would be the corporation’s total federal balance at its transition time if the election had not been made exceeds the corporation’s total Ontario balance at its transition time, or

“(c) the amount of ‘I.1’ in clause (b) in respect of the corporation in any other case.”

1130

**The Chair:** Comment, if any? All in favour? Opposed? Carried.

Page 24.

**Mrs. Van Bommel:** I move that the definition of “K” in paragraph 1 of subsection 39(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“K’ is the sum of all amounts each of which is the portion of the amount of ‘F,’ ‘G,’ ‘H’ or ‘J’ that was deducted by the corporation under the federal act in computing its income or taxable income for its last taxation year ending before its transition time.”

I’m trying to understand what I’m reading, and I can’t.

**Mr. Prue:** It’s okay; none of us understand it either.

**Mrs. Van Bommel:** It’s not good to try to compute while you’re reading.

**The Chair:** Any comment? All in favour? Opposed, if any? Carried.

Page 25.

**Mrs. Van Bommel:** I move that paragraph 1 of subsection 39(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “and” at the end of the definition of “R,” by adding “and” at the end of the definition of “S” and by adding the following definition:

“S.1’ is the amount, if any, specified by the corporation under paragraph 28(1)(b) of the federal act in respect of its last taxation year ending before its transition time.”

**The Chair:** Comment? Hearing none, all in favour? Opposed? Carried.

Page 26.

**Mr. Jean-Marc Lalonde (Glengarry–Prescott–Russell):** I move that paragraph 2 of subsection 39(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “subsection 41(1)” and substituting “subsection 41(1) or section 41.1.”

**The Chair:** Comment, if any? All in favour? Opposed? Carried.

Page 27.

**Mr. Lalonde:** I move that section 39 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following subsection:

“Reduction of total federal balance

“(3.1) Despite subsection (3), a corporation’s total federal balance at a particular time shall be reduced by the sum of all amounts each of which is an amount required under subsection 41.1(4) to be deducted at or before the particular time in computing the corporation’s total federal balance.”

**The Chair:** Comment? All in favour? Opposed, if any? Carried.

Page 28.

**Mr. Lalonde:** I move that paragraph 1 of subsection 39(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out the portion before the definition of “T” and substituting the following:

“1. If the corporation was a specified corporation at its transition time, the amount calculated using the formula,

$$T + U + V + W + X - Y + Z + AA + BB + CC + 0.5DD + EE + EE.1 + FF$$

“in which.”

**The Chair:** Comment? All in favour? Opposed, if any?

**Mr. Prue:** How could you possibly be in favour of that?

**Mrs. Mitchell:** How could you be against that?

**The Chair:** Page 29.

**Mr. Arthurs:** I move that the definition of “W” in paragraph 1 of subsection 39(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“W’ is,

“(a) nil, if control of the corporation was acquired, for the purposes of subsection 37(6.1) of the federal act, by a person or group of persons at the corporation’s transition time, or

“(b) in any other case, the sum of the corporation’s adjusted Ontario SR&ED incentive balance at the end of its taxation year ending immediately before its transition time and the amount, if any, by which ‘W.1’ exceeds ‘W.2’ where,

“W.1’ is the amount that would be deductible under subsection 37(1) of the federal act, as that subsection applies for the purposes of the Corporations Tax Act, in computing the corporation’s income for its last taxation year ending before its transition time if subsection 37(6.1) of the federal act were read without reference to paragraph (b) of that subsection, and

“W.2’ is the amount in respect of the amount described in the definition of ‘W.1’ that was deducted by the corporation under the Corporations Tax Act in computing its income for its last taxation year ending before its transition time.”

**The Chair:** Thank you. Comment? Hearing none, all in favour? Opposed? Carried.

**Mr. Arthurs:** I move that the definition of “Y” in paragraph 1 of subsection 39(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“Y’ is the sum of all amounts each of which is the portion of the amount of ‘T,’ ‘U,’ ‘V’ or ‘X’ deducted under the Corporations Tax Act in computing the corporation’s income or taxable income for its last taxation year ending before its transition time.”

**The Chair:** Comment? All in favour? Opposed? Carried.

**Mr. Arthurs:** I move that paragraph 1 of subsection 39(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “and” at the end of the definition of “EE” and by adding the following definition:

“EE.1’ is the amount, if any, specified by the corporation under paragraph 28(1)(b) of the federal act, as it applies for the purposes of the Corporations Tax Act, in respect of its last taxation year ending before its transition time, and.”

**The Chair:** Comment? All in favour? Opposed, if any? Carried.

**Mr. Arthurs:** I move that paragraph 2 of subsection 39(4) of the Taxation Act, 2007, as set out in schedule A



to the bill, be amended by striking out “subsection 41(1)” and substituting “subsection 41(1) or section 41.1.”

**The Chair:** Comment? All in favour? Opposed? Carried.

Page 34.

**Mr. Arthurs:** I move that section 39 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following subsection:

“Reduction of total Ontario balance

“(4.1) Despite subsection (4), a corporation’s total Ontario balance at a particular time shall be reduced by the sum of all amounts each of which is an amount required under subsection 41.1(4) to be deducted at or before the particular time in computing the corporation’s total Ontario balance.”

**The Chair:** Comment? All in favour? Opposed? Carried.

Page 35.

**Mr. Arthurs:** I move that paragraph 1 of subsection 39(5) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “and” at the end of subparagraph i, by adding “and” at the end of subparagraph ii and by adding the following subparagraph:

“iii. no amount referred to in paragraph 1 of subsection (3) or paragraph 1 of subsection (4) that is or would have been relevant or potentially relevant in the calculation of income from property shall be included in the corporation’s total federal balance or total Ontario balance under either of those paragraphs.”

**The Chair:** Comment? All in favour? Opposed? Carried.

Page 36.

**Mr. Arthurs:** I move that paragraph 3 of subsection 39(5) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out.

**The Chair:** Comment? All in favour? Carried.

**Mr. Arthurs:** I move that subparagraphs 4 i and ii of subsection 39(5) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“ii. is determined for a parent corporation as if the parent corporation were the same corporation and a continuation of a subsidiary corporation if the parent corporation’s transition time is after the end of the taxation year in which, for the purposes of paragraph 88(1)(e.2) of the federal act, it received the assets of the subsidiary corporation in the course of a winding-up, and”.

**The Chair:** Comment? All in favour? Opposed? Carried.

Shall schedule A, section 39, as amended, carry? All in favour? Opposed? Carried.

We have a new section, government motion 37.

1140

**Mrs. Mitchell:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Calculation of amounts for purposes of s. 39

“Definitions

“39.1(1) In this section,

“adjusted gross federal investment tax credit’ means, in respect of a corporation at the end of a taxation year, the sum of all amounts each of which would be determined in respect of the corporation under paragraph (a.1), (b), (c), (e), (e.1) or (e.2) of the definition of ‘investment tax credit’ in subsection 127(9) of the federal act at the end of the year in respect of qualified Ontario SR & ED expenditures if every amount added under paragraph (c), (e), (e.1) or (e.2) of that definition in respect of taxation years following the year or in respect of taxation years ending before the time control of the corporation was last acquired by a person or group of persons were not taken into account.”

Now, this is—

**Ms. Catherine Macnaughton:** You don’t need to read the French.

**Mrs. Mitchell:** That’s good.

“‘federal current SR&ED deficit’ means, in respect of a corporation for a taxation year, the amount, if any, that would be the amount by which the total of the amounts determined in respect of the corporation for the year under paragraphs 37(1)(d) and (e) of the federal act exceeds the total of the amounts determined in respect of the corporation for the year under paragraphs 37(1)(a), (b), (c) and (c.2) of the federal act if all amounts determined under those paragraphs for preceding taxation years were not taken into account;

“‘federal current SR&ED limit’ means, in respect of a corporation for a taxation year, the amount, if any, that would be the amount by which the sum of the amounts determined in respect of the corporation for the year under paragraphs 37(1)(a), (b), (c) and (c.2) of the federal act exceeds the sum of the amounts determined in respect of the corporation for the year under paragraphs 37(1)(d) and (e) of the federal act if all amounts determined under those paragraphs for preceding taxation years were not taken into account;

“‘qualified Ontario SR&ED expenditure’ means a qualified Ontario SR&ED expenditure for the purposes of section 11.2 of the Corporations Tax Act.

“Post-2008 SR&ED balance

“(2) For the purposes of clause 39(2.1)(a), a corporation’s post-2008 SR&ED balance at the end of a taxation year is the amount calculated using the formula,

$$“(A + B) \times 0.14 \times C$$

“in which,

“‘A’ is,

“(a) if the year ends before January 1, 2016, the amount, if any, by which the amount deducted under subsection 37(1) of the federal act in computing the corporation’s income for the year exceeds the corporation’s cumulative post-2008 SR&ED limit at the end of the year, or

“(b) in any other case, the amount deducted under subsection 37(1) of the federal act in computing the corporation’s income for the year,

“‘B’ is the corporation’s federal current SR&ED deficit for the year, and

“C’ is the corporation’s relevant Ontario allocation factor.

“Cumulative post-2008 SR & ED limit

“(3) For the purposes of subsection (2), a corporation’s cumulative post-2008 SR&ED limit at the end of a taxation year is the amount, if any, by which the sum of all amounts each of which is the corporation’s federal current SR&ED limit for the year or a preceding taxation year ending after December 31, 2008 exceeds the amount determined by the formula,

$$D - \frac{E - F}{C \times 0.14}$$

“in which,

“C’ is the corporation’s relevant Ontario allocation factor,

“D’ is the sum of all amounts each of which is deducted under subsection 37(1) of the federal act in computing the corporation’s income for a preceding taxation year ending after December 31, 2008,

“E’ is the sum of all amounts determined under subsection 39(2.1) in respect of the corporation for a preceding taxation year, and

“F’ is the portion, if any, of the value of ‘E’ that may reasonably be considered to be attributable to the value of ‘B’ in subsection (2).

“Federal SR&ED transitional balance

“(4) For the purposes of clause 39(2.1)(b), a corporation’s federal SR&ED transitional balance at a particular time is the amount calculated using the formula,

$$(0.14 \times C \times G) + H - I$$

“in which,

“C’ is the corporation’s relevant Ontario allocation factor,

“G’ is,

“(a) the lesser of the amounts determined as ‘I.2’ and ‘I.3’ in clause (b) of the definition of ‘I’ in paragraph 1 of subsection 39(3) in respect of the corporation, if the corporation makes an election referred to in clause (b) of that definition, or

“(b) nil, in any other case,

“H’ is the sum of all amounts each of which is required by subsection 41(1) to be added in computing the corporation’s federal SR&ED transitional balance at or before the particular time, and

“I’ is the sum of all amounts each of which is determined under subsection 39(2.1) in respect of the corporation for a taxation year ending before the particular time.

“Relevant Ontario allocation factor

“(5) For the purposes of this section, the relevant Ontario allocation factor of a corporation is the greatest of,

“(a) the corporation’s Ontario allocation factor for its taxation year that includes its transition time;

“(b) the corporation’s Ontario allocation factor for the taxation year ending in 2006, 2007 or 2008 for which the corporation had the greatest Ontario allocation factor; and

“(c) if the corporation is a successor corporation for the purposes of subsection 83.1(8) of the Corporations Tax Act of one or more other corporations, the greatest of all amounts each of which is the weighted Ontario allocation factor for 2006, 2007 or 2008 of the corporation and the other corporations.

“Weighted Ontario allocation factor

“(6) For the purposes of clause (5)(c), the weighted Ontario allocation factor of two or more corporations for a calendar year is the total of all amounts each of which is calculated in respect of each corporation using the formula,

$$J \times K/L$$

“in which,

“J’ is equal to an Ontario allocation factor of the corporation for a taxation year ending in the calendar year,

“K’ is equal to the sum of,

“(a) the total qualified Ontario SR&ED expenditures incurred by the corporation in that taxation year, and

“(b) the total of all amounts each of which is the corporation’s share of qualified Ontario SR&ED expenditures incurred by a partnership in a fiscal period ending in that taxation year, and

“L’ is sum of the amounts of ‘K’ for each of the corporations determined under this subsection.

“Adjusted Ontario SR & ED incentive balance

“(7) For the purposes of clause (b) of the definition of ‘W’ in paragraph 1 of subsection 39(4), a corporation’s adjusted Ontario SR & ED incentive balance at the end of a taxation year is the amount calculated using the formula,

$$\frac{M - N - P}{C}$$

“in which,

“M’ is equal to the corporation’s adjusted gross federal investment tax credit at the end of the year,

“N’ is the amount, if any, by which ‘Q’ exceeds ‘R’ where,

“Q’ is the amount, if any, by which the corporation’s adjusted gross federal investment tax credit at the end of the year exceeds the amount that would be the corporation’s adjusted gross federal investment tax credit at the end of the following taxation year if the definition of ‘investment tax credit’ in subsection 127(9) of the federal act were read,

**1150**

“(a) without reference to paragraph (a.1),

“(b) without reference to the words ‘at the end of the year or’ in paragraph (e),

“(c) without reference to the words ‘in the year or’ in paragraph (e.1), and

“(d) without reference to the words ‘in the year or’ in paragraph (e.2), and

“‘R’ is the sum of,

“(a) all amounts deducted by the corporation under subsection 127(5) or (6) of the federal act for the year in respect of the corporation’s adjusted gross federal investment tax credit at the end of the year, and

“(b) all amounts deemed to have been deducted by the corporation under subsection 127(5) of the federal act for the year by operation of subsection 127.1(3) of the federal act in respect of the corporation’s adjusted gross federal investment tax credit at the end of the year,

“‘P’ is the sum of,

“(a) all amounts deducted by the corporation under subsection 127(5) or (6) of the federal act for a previous taxation year in respect of the corporation’s adjusted gross federal investment tax credit at the end of the year, and

“(b) all amounts deemed to have been deducted by the corporation under subsection 127(5) of the federal act for a previous taxation year by operation of subsection 127.1(3) of the federal act in respect of the corporation’s adjusted gross federal investment tax credit at the end of the year, and

“‘C’ is the corporation’s relevant Ontario allocation factor.”

**The Chair:** Thank you. Comment?

**Mr. Prue:** Yes. Not to make it difficult, but I believe it’s absolutely necessary to read into the record the French portion. I understand the difficulty that Ms. Mitchell may have, but I’m more than happy to allow Mr. Lalonde to do so in his own wonderful fashion.

**Mrs. Mitchell:** Okay, thank you.

**Mr. Prue:** There are two on page 1, two on page 2, and there may be others.

**Mrs. Mitchell:** There were a couple.

**Mr. Prue:** And my reason for that is because it’s essential under the Interpretation Act. Where there is a conflict between the two, the French shall predominate.

**Mrs. Mitchell:** Okay, thank you.

**Mr. Lalonde:** At the end of paragraph 1: “(‘crédit d’impôt à l’investissement fédéral brut rajusté’).”

Sur la page 2, on page 2—

**Mr. Prue:** No, still page 1.

**Mr. Lalonde:** Yes. End of paragraph 2: “(‘déficit de l’année au titre de la recherche et du développement selon les règles fédérales’).”

Et à la page 2, à la fin du premier paragraphe: “(‘plafond de l’année au titre de la recherche et du développement selon les règles fédérales’).”

Au paragraphe 2: “(‘dépense admissible de recherche et de développement en Ontario’).”

I believe that is it.

**M. Prue:** Merci.

**The Chair:** It’s fine with the Chair, but I’m advised that we’re not required to read them.

**Mr. Prue:** But still I think it’s important because of the Interpretation Act and because of the Official Languages Act of Canada as well. I consider it appropriate. It may not be legally necessary, but I don’t want anyone at some point to say that it was not done when there was the capability to do so.

**The Chair:** And I guess whatever’s on the paper should be read. That’s clear.

Any other comment? None? All in favour? Opposed, if any? Carried.

Schedule A, section 40, government motion 38.

**Mr. Arthurs:** I move that the definitions of “C” and “D” in the definition of “A” in subsection 40(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“‘C’ is the amount of tax that would be payable by the corporation for the year under this division if that amount were determined without reference to section 36.2, subsection 38(3) and section 42,

“‘D’ is the number of days in the corporation’s amortization period that are in the taxation year, and”

**The Chair:** Comment, if any? All in favour? Opposed, if any? Carried.

Motion 39.

**Mr. Arthurs:** I move that subsection 40(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“Deduction in respect of unused credit balance

“(3) For the purposes of subparagraphs 1ii and 2ii of subsection (1), the amount of a specified corporation’s unused credit balance that is deductible in computing its tax payable under this division for a taxation year is the lesser of,

“(a) the amount, if any, by which the amount of ‘A’ in subsection (2) in respect of the corporation for the year exceeds the amount determined in respect of the corporation for the year under subparagraph 1i or 2i of subsection (1), whichever is applicable; and

“(b) the corporation’s unused credit balance for the year.”

**The Chair:** Comment, if any? All in favour? Opposed, if any? Carried.

Motion 40.

**Mr. Arthurs:** I move that the English version of subsection 40(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “used” in the portion before the formula and substituting “using”.

**The Chair:** Comment, if any? All in favour? Opposed, if any? Carried.

Shall schedule A, section 40, as amended, carry. All in favour? Opposed? Carried.

For the committee, I think this would be a good time to recess prior to any potential bell and with the number of motions that are ahead of us. We shall recess until orders of the day.

**Mr. Prue:** In your estimation, is it possible to read the balance, even if we don’t discuss any of them, in the remaining time to us?

**The Chair:** At 5 o'clock they're all deemed to have been moved.

**Mr. Prue:** I know, but there probably will not be time to read them into the record.

**The Chair:** We would sit past our regular hour of adjournment.

We shall recess.

*The committee recessed from 1158 to 1536.*

**The Chair:** The standing committee on finance and economic affairs will now come to order. When we did recess prior to noon, we were to begin on schedule A, section 41, government motion 41, Mr. Arthurs.

**Mr. Arthurs:** I move that paragraph 3 of subsection 41(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out "and" at the end of subparagraph iii, by adding "and" at the end of subparagraph iv and by adding the following subparagraph:

"v. there shall be added in computing the new corporation's federal SR&ED transitional balance the sum of all amounts each of which is the amount that would have been the federal SR&ED transitional balance of an eligible predecessor corporation at the time of the eligible amalgamation if the eligible predecessor corporation had had a taxation year beginning at that time."

**The Chair:** Any comments? Hearing none, all in favour? Opposed, if any? Carried.

Motion 42, Mr. Arthurs.

**Mr. Arthurs:** I move that paragraph 4 of subsection 41(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended,

(a) by striking out "eligible winding-up" in the portion before subparagraph i and substituting "eligible post-2008 winding-up"; and

(b) by striking out "and" at the end of subparagraph iii, by adding "and" at the end of subparagraph iv and by adding the following subparagraph:

"v. there shall be added in determining the parent corporation's federal SR&ED transitional balance after the completion time of the winding-up the amount that would be the subsidiary corporation's federal SR&ED transitional balance immediately after the completion time if the subsidiary corporation had continued to exist."

**The Chair:** Thank you. Any comments? Hearing none, all in favour? Opposed, if any? Carried.

Motion 43, Mr. Arthurs.

**Mr. Arthurs:** I move that subsection 41(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following paragraph:

"5. If property of a subsidiary corporation is distributed in the course of an eligible pre-2009 winding-up to its parent corporation in circumstances to which clause (b) of the definition of 'eligible pre-2009 winding-up' in subsection 37(1) applies,

"i. the parent corporation is deemed, after the completion time of the winding-up, to be a specified corporation if the subsidiary corporation had a permanent establishment in Ontario at any time in the taxation year of the subsidiary corporation ending at the completion time, and

"ii. the amount determined under subsection (6) shall be added immediately after the completion time in computing the amount of the parent corporation's total federal balance, and the amount determined under subsection (7) shall be added immediately after the completion time in computing the amount of the parent corporation's total Ontario balance."

**The Chair:** Comments? Hearing none, all in favour? Opposed, if any? Carried.

Motion 44, Mr. Arthurs.

**Mr. Arthurs:** I move that subsection 41(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

"Amount to be added to total federal balance, eligible amalgamation

"(2) For the purposes of subparagraph 3ii of subsection (1), the amount is calculated using the formula,

$$"A \times (1 - B/C)$$

"in which,

"A' is the total federal balance of the eligible predecessor corporation, determined immediately before the eligible amalgamation,

"B' is the number of days in the eligible predecessor corporation's reference period that are before the eligible amalgamation, and

"C' is the total number of days in the eligible predecessor corporation's reference period."

**1540**

**The Chair:** Thank you. Any comment? Hearing none, all in favour? Opposed? Carried.

Number 45.

**Mr. Arthurs:** I move that subsection 41(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

"Amount to be added to total Ontario balance, eligible amalgamation

"(3) For the purposes of subparagraph 3 iii of subsection (1), the amount is calculated using the formula,

$$"D \times (1 - B/C)$$

"in which,

"D' is the total Ontario balance of the eligible predecessor corporation, determined immediately before the eligible amalgamation, and

"B' and 'C' have the meanings assigned by subsection (2)."

**The Chair:** Thank you. Comment? All in favour? Opposed, if any? Carried.

Number 46.

**Mr. Arthurs:** I move that subsection 41(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

"Amount to be added to total federal balance, eligible post-2008 winding-up

"(4) For the purposes of subparagraph 4iii of subsection (1), the amount to be added to the parent

corporation's total federal balance is calculated using the formula,

$$"E \times F/G \times H/I$$

"in which,

"E' is the subsidiary corporation's total federal balance at the completion time of the winding-up,

"F' is the number of days in the subsidiary corporation's reference period that are after the end of the subsidiary corporation's taxation year ending at the completion time,

"G' is the total number of days in the subsidiary corporation's reference period,

"H' is the total number of days in the parent corporation's reference period, and

"I' is the number of days in the parent corporation's reference period that are after the beginning of the parent corporation's taxation year that includes the time that is immediately after the completion time."

**Mr. Prue:** I can't stand it. What does that mean?

**Mr. Arthurs:** Bill 174 contains a number of rules dealing with the application of the transitional tax credit-debit mechanisms to corporate reorganizations, examples being amalgamations and the windup of subsidiaries into its parent. This motion is part of a set of technical amendments to the transitional tax credit-debit rules that deal with specific situations involving corporate reorganizations not contemplated in Bill 174. The amendments largely deal with the amalgamation, winding-up and certain property transfers where one corporation has a taxation year that ends before the federal administration starts and the other has a taxation year that ends after the start of federal administration. These amendments ensure—

**Mr. Prue:** It's okay. I'm sorry I asked.

**Mr. Arthurs:** —that the proper functioning of the transitional rule may clarify the applications of the rules for taxpayers.

**Mrs. Mitchell:** And that will be the last question.

**The Chair:** So you might want to think about that. Any other comment? All in favour? Opposed, if any? Carried.

Number 47.

**Mr. Arthurs:** I move that subsection 41(5) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

"Amount to be added to total Ontario balance, eligible post-2008 winding-up

"(5) For the purposes of subparagraph 4 iii of subsection (1), the amount to be added to the parent corporation's total Ontario balance is calculated using the formula,

$$"J \times F/G \times H/I$$

"in which,

"J' is the subsidiary corporation's total Ontario balance at the completion time of the winding-up, and

"F', 'G', 'H' and 'I' have the meanings assigned by subsection (4)."

**The Chair:** Comment, if any? All in favour? Opposed, if any? Carried.

Number 48.

**Mr. Arthurs:** I move that section 41 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following subsections:

"Amount to be added to total federal balance, eligible pre-2009 winding-up

"(6) For the purposes of subparagraph 5 ii of subsection (1), the amount to be added to the parent corporation's total federal balance is the subsidiary corporation's total federal balance immediately after the completion time, determined,

"(a) as if the subsidiary corporation continued to exist; and

"(b) as if the subsidiary corporation's next taxation year ending after that time ended no earlier than January 1, 2009.

"Amount to be added to total Ontario balance, eligible pre-2009 winding-up

"(7) For the purposes of subparagraph 5 ii of subsection (1), the amount to be added to the parent corporation's total Ontario balance is the subsidiary corporation's total Ontario balance immediately after the completion time, determined,

"(a) as if the subsidiary corporation continued to exist; and

"(b) as if the subsidiary corporation's next taxation year ending after that time ended no earlier than January 1, 2009."

**The Chair:** Comment, if any? All in favour? Opposed? Carried.

Shall schedule A, section 41, as amended, carry? All in favour? Opposed, if any? Carried.

New section 41.1, page 49.

**Mr. Arthurs:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

"Treatment of specified pre-2009 transfers

"Definitions

"41.1(1) In this section,

"'relevant time' means, in respect of a disposition of property, the time that is immediately after the disposition; ('moment pertinent')

"'transferee' means a corporation that receives a property on a disposition by a transferor; ('cessionnaire')

"'transferor' means a corporation that disposes of a property. ('cédant')

"Addition to total federal balance and total Ontario balance

"(2) If all of the conditions set out in subsection (3) are satisfied, a transferee that receives property on a disposition by a transferor shall,

"(a) add the amount of the transferor's proceeds of disposition in respect of the property, as determined under the federal act, in determining its total federal balance at the relevant time; and

“(b) add the amount of the transferor’s proceeds of disposition in respect of the property, as determined under the Corporations Tax Act, in determining its total Ontario balance at the relevant time.

“Same

“(3) For the purposes of subsection (2), the conditions are as follows:

“1. The transferee and the transferor do not deal at arm’s length with each other at the time of the disposition.

“2. The transferee was a specified corporation at its transition time.

“3. The relevant time is after the transferee’s transition time.

“4. If the disposition is in respect of an eligible pre-2009 winding-up and the transferor is the subsidiary corporation of the transferee, the relevant time is not after the completion date.

“5. If the property had been received by the transferee immediately before its transition time, the transaction would have resulted in an increase in one or both of,

“i. the amount otherwise determined of the transferee’s total federal balance at its transition time, determined as if no election had been made under clause (b) of the definition of “I” in paragraph 1 of subsection 39(3), and

“ii. the amount otherwise determined of the transferee’s total Ontario balance at its transition time.

“6. The relevant time is included in a taxation year of the transferor that ends before January 1, 2009 during which the transferor has a permanent establishment in Ontario.

“7. The proceeds of disposition under the federal act do not equal the proceeds of disposition under the Corporations Tax Act.

“Deduction from total federal balance and total Ontario balance

“(4) If all of the conditions set out in subsection (5) are satisfied, a transferor that disposes of property to a transferee shall,

“(a) subtract the property’s cost amount to the transferee at the relevant time, as determined under the federal act, in determining its total federal balance at the relevant time; and

“(b) subtract the property’s cost amount to the transferee at the relevant time, as determined under the Corporations Tax Act, in determining its total Ontario balance at the relevant time.

“Same

“(5) For the purposes of subsection (4), the conditions are as follows:

“1. The transferee and the transferor do not deal at arm’s length with each other at the time of the disposition.

“2. The transferor was a specified corporation at its transition time.

“3. The relevant time is after the transferor’s transition time.

“4. If the disposition had been made by the transferor immediately before its transition time, the transaction would have resulted in a decrease in one or both of,

“i. the amount otherwise determined of the transferor’s total federal balance at its transition time, determined as if no election had been made under clause (b) of the definition of ‘I’ in paragraph 1 of subsection 39(3), and

“ii. the amount otherwise determined of the transferor’s total Ontario balance at its transition time.

“5. The relevant time is included in a taxation year of the transferee that ends before January 1, 2009 during which the transferee has a permanent establishment in Ontario.

“6. The cost amount under the federal act of the property to the transferee immediately after the disposition does not equal its cost amount under the Corporations Tax Act.”

**The Chair:** Thank you. Any comment?

**Mr. Prue:** It’s a comment, as opposed to—I believe an error was made in the recital. On page 2, (3)4, starting, “If the disposition.” Only the last word was an error.

**Mr. Arthurs:** “If the disposition is in respect of an eligible pre-2009 winding-up and the transferor is the subsidiary corporation of the transferee, the relevant time is not after the completion time.”

**Mr. Prue:** You said “completion date.” I’m not sure that would affect anything, but just in case.

**The Chair:** Any other comment? All in favour? Opposed, if any? Carried.

Schedule A, section 42, number 50. Ms. Van Bommel.

**1550**

**Mrs. Van Bommel:** I move that subsection 42(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“Corporate minimum tax account

“(2) The amount of a corporation’s corporate minimum tax account for a taxation year is determined as follows:

“1. If the corporation is not a life insurance corporation, the amount of the corporation’s corporate minimum tax account for the year is the sum of all amounts each of which is,

“i. the amount of corporate minimum tax payable by the corporation under part II.1 of the Corporations Tax Act for a previous taxation year that ends before March 23, 2007 and is not earlier than the designated taxation year determined under subsection (2.1), to the extent that the tax has not been deducted under section 43.1 of the Corporations Tax Act or this section in determining the amount of tax payable by the corporation for a previous taxation year under part II of the Corporations Tax Act or this division, or

“ii. the amount of corporate minimum tax payable by the corporation under part II.1 of the Corporations Tax Act or division C of this part for a previous taxation year that ends after March 23, 2007 and is not earlier than the 20th taxation year before the taxation year, to the extent that the tax has not been deducted under section 43.1 of the Corporations Tax Act or this section in determining

the amount of tax payable by the corporation for a previous taxation year under part II of the Corporations Tax Act or this division.

“2. If the corporation is a life insurance corporation, the amount of the corporation’s corporate minimum tax account for the year is the sum of all amounts each of which is,

“i. the amount determined under subsection (2.2) in respect of a previous taxation year that ends before March 23, 2007 and is not earlier than the designated taxation year determined under subsection (2.1), to the extent that the amount has not been deducted under section 43.1 of the Corporations Tax Act or this section in determining the amount of tax payable by the corporation for a previous taxation year under part II of the Corporations Tax Act or this division, or

“ii. the amount determined under subsection (2.2) in respect of a previous taxation year that ends after March 22, 2007 and is not earlier than the 20th taxation year before the taxation year, to the extent that the amount has not been deducted under section 43.1 of the Corporations Tax Act or this section in determining the amount of tax payable by the corporation for a previous taxation year under part II of the Corporations Tax Act or this division.

“Designated taxation year

“(2.1) For the purposes of subparagraphs 1 i and 2 i of subsection (2), the designated taxation year of a corporation in respect of a particular taxation year of the corporation is the previous taxation year of the corporation that is the latter of,

“(a) the 20th taxation year of the corporation before the particular taxation year; and

“(b) the 10th taxation year of the corporation before its first taxation year ending after December 31, 2008.

“Life insurance corporations

“(2.2) For the purposes of subparagraphs 2 i and ii of subsection (2), the amount determined in respect of a previous taxation year is the amount, if any, by which ‘A.1’ exceeds ‘B.1’ where,

“‘A.1’ is,

“(a) if the previous year ended after December 31, 2008, the greater of,

“(i) the corporation’s corporate minimum tax for the previous year, as determined under division C of this part, before any deduction permitted under subsection 45(2), and

“(ii) the amount determined as ‘A’ in subsection 52(1) in respect of the corporation for the previous year, or

“(b) if the previous year ended before January 1, 2009, the corporation’s corporate minimum tax for the previous year, as determined under part II.1 of the Corporations Tax Act, before any deduction permitted under subsection 57.3(2) of that act, and

“‘B.1’ is,

“(a) if the previous year ended after December 31, 2008, the amount of tax payable for that year under this division after all deductions from tax to which the corporation is entitled for that year other than a deduction under this section, or

“(b) if the previous year ended before January 1, 2009, the greater of,

“(i) the amount that would be determined in respect of the corporation for that year under clause 74.1(1)(a) of the Corporations Tax Act, and

“(ii) the amount of tax payable for that year under part II of the Corporations Tax Act after all deductions from tax to which the corporation is entitled for that year other than a deduction permitted under any of sections 43.1 to 43.13 of the Corporations Tax Act.”

**The Chair:** Thank you. Mr. Prue?

**Mrs. Van Bommel:** I need to correct something, apparently.

**Mr. Prue:** Yes. It was not “latter” but “later.” The one that I caught, on page 2, “Designated taxation year,” the last two words. You said, the “latter of” rather than the “later of.” The “latter of” will mean that you can only use (b) not (a). So, it needs to be the “later of.”

**Mrs. Van Bommel:** Which one is that again, Michael?

**Mr. Prue:** It’s page 2, about two thirds of the way down, “Designated taxation year,” last line.

**The Chair:** It’s (2.1).

**Mrs. Van Bommel:** Okay, that’s right.

“Designated taxation year

“(2.1) For the purposes of subparagraphs 1 i and 2 i of subsection (2), the designated taxation year of a corporation in respect of a particular taxation year of the corporation is the previous taxation year of the corporation that is the later of.”

Also, I’m told that I gave the wrong date, under “Corporate minimum tax account” at the very bottom of the page. It should read:

“ii. the amount of corporate minimum tax payable by the corporation under part II.1 of the Corporations Tax Act or division C of this part for a previous taxation year that ends after March 22, 2007.” Apparently, I said “23.”

**The Chair:** I had that noted as well.

**Mr. Prue:** We’re all watching like a hawk, and it’s a tough job.

**The Chair:** Any other comment? All in favour? Opposed? Carried.

Now we go to schedule A, section 42, number 51.

**Mrs. Van Bommel:** I move that subsection 42(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“Corporate minimum tax account

“(2) The amount of a corporation’s corporate minimum tax account for a taxation year is determined as follows:

“1. If the corporation is not a life insurance corporation, the amount of the corporation’s corporate minimum tax account for the year is the sum of all amounts each of which”—

*Interjection.*

**Mrs. Van Bommel:** Oh, no. Sorry. I’ve done that one. Thank you, Trevor.

**The Chair:** It’s 51.

**Mrs. Van Bommel:** I apologize. We’ll start again.

I move that paragraph 1 of subsection 42(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“1. Tax payable under Part II.1 of the Corporations Tax Act or under divisions C and D of this part for a particular taxation year that is otherwise included in the account is deductible before any tax payable under that part or those divisions for later years.”

**The Chair:** Any comment? Hearing none, all in favour? Opposed, if any? Carried.

**Mrs. Mitchell:** I move that paragraphs 2, 3 and 4 of subsection 42(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “division C” wherever it appears and substituting in each case “division C or D.”

**The Chair:** Comment, if any? All in favour? Opposed, if any? Carried.

1600

Page 53.

**Mrs. Mitchell:** I move that subsection 42(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended,

(a) by striking out “no amount is deductible” and substituting “no amount is deductible under this section”; and

(b) by striking out “division C” and substituting “division C or D”.

**The Chair:** Any comment? Hearing none, all in favour? Opposed? Carried.

Page 54.

**Mrs. Mitchell:** I move that subsection 42(5) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “division C” in the portion before the formula and substituting “division C or D”.

**The Chair:** Any comment? All in favour? Opposed? Carried.

Shall schedule A, section 42, as amended, carry? All in favour? Opposed? Carried.

Schedule A, sections 43 through 46, inclusive, have no amendments. Can we combine those? Agreed. All in favour? Opposed? Carried.

Section 47: Motion 55.

**Mrs. Mitchell:** I move that the definition of “F” in the definition of “D” in subsection 47(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“F” is the sum of all amounts, each of which is,

“(a) the corporation’s adjusted net loss under part II.1 of the Corporations Tax Act for a previous taxation year that,

“(i) ended on or before March 23, 2007, and

“(ii) is not earlier than the 10th taxation year before the taxation year, or

“(b) the corporation’s adjusted net loss under part II.1 of the Corporations Tax Act or under this division for a previous taxation year that,

“(i) ends after March 23, 2007, and

“(ii) is not earlier than the 20th taxation year before the taxation year, and”

**The Chair:** Any comment? Hearing none, all in favour? Opposed, if any? Carried.

Shall schedule A, section 47, as amended, carry? All in favour? Opposed? Carried.

Schedule A, sections 48 through 53, inclusive, have no amendments. Shall we combine them? Agreed. All in favour? Opposed? Carried.

Now we are at motion 56.

**Mr. David Zimmer (Willowdale):** I move that section 54 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “January 1, 2012” and substituting “July 1, 2010”.

**The Chair:** All in favour? Opposed, if any? Carried.

Shall schedule A, section 54, as amended, carry? All in favour? Opposed? Carried.

Can we do sections 55 and 56 together since there are no amendments? Agreed. Shall they carry? All in favour? Opposed? Carried.

Section 57 was done this morning.

Can we combine sections 58 through 60 since there are no amendments? Agreed. All in favour? Opposed? Carried.

Schedule A, section 61: Motion 58.

**Mr. Zimmer:** I move that subsection 61(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “January 1, 2012” in the portion before the formula and substituting “July 1, 2010”.

**The Chair:** Comment? Hearing none, all in favour? Opposed? Carried.

Page 59.

**Mr. Zimmer:** I move that subsection 61(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding “and” at the end of clause (b) and by striking out clauses (c) and (d) and substituting the following:

“(c) 0.3% multiplied by the ratio of the number of days in the year that are after December 31, 2009 and before July 1, 2010 to the total number of days in the year.”

**The Chair:** Comment? All in favour? Opposed? Carried.

Page 60.

**Mr. Zimmer:** I move that paragraph 1 of subsection 61(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding “and” at the end of subparagraph ii and by striking out subparagraphs iii and iv and substituting the following:

“iii. 0.45% multiplied by the ratio of the number of days in the year that are after December 31, 2009 and before July 1, 2010 to the total number of days in the year.”

**The Chair:** Comment? Hearing none, all in favour? Opposed, if any? Carried.

Page 61.

**Mr. Zimmer:** I move that paragraph 2 of subsection 61(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding “and” at the end of



subparagraph ii and by striking out subparagraphs iii and iv and substituting the following:

“iii. 0.36% multiplied by the ratio of the number of days in the year that are after December 31, 2009 and before July 1, 2010 to the total number of days in the year.”

**The Chair:** Any comment? Hearing none, all in favour? Opposed, if any? Carried.

Shall schedule A, section 61, as amended, carry? All in favour? Opposed? Carried.

Government motion 62.

**Mr. Zimmer:** I move that the definition of “D” in subsection 62(4) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding “and” at the end of clause (b) and by striking out clauses (c) and (d) and substituting the following:

“(c) 0.45% multiplied by the ratio of the number of days in the year that are after December 31, 2009 and before July 1, 2010 to the total number of days in the year.”

**The Chair:** Comment? Hearing none, all in favour? Opposed? Carried.

Shall schedule A, section 62, as amended, carry? All in favour? Opposed? Carried.

With the committee’s indulgence, I’ll group them wherever possible and let you know that. There are no amendments to sections 63 to 68. All in favour? Carried.

Schedule A, section 69: page 63.

**Mr. Zimmer:** I move that section 69 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “January 1, 2012” and substituting “July 1, 2010”.

**The Chair:** Any comment? All in favour? Opposed? Carried.

Shall schedule A, section 69, as amended, carry? All in favour? Opposed? Carried.

Section 70 was done this morning.

Schedule A, section 71: government motion, page 65.

**Mr. Zimmer:** I move that subsection 71(1) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “January 1, 2012” in the portion before the formula and substituting “July 1, 2010”.

1610

**The Chair:** Any comment? All in favour? Opposed? Carried.

Page 66.

**Mr. Zimmer:** I move that subsection 71(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding “and” at the end of clause (b) and by striking out clauses (c) and (d) and substituting the following:

“(c) 0.15% multiplied by the ratio of the number of days in the year that are after December 31, 2009 and before July 1, 2010 to the total number of days in the year.”

**The Chair:** Any comment? Hearing none, all in favour? Opposed? Carried.

Shall schedule A, section 71, as amended, carry? All in favour? Opposed? Carried.

Sections 72, 73 and 74 do not have any amendments. Shall they carry? All in favour? Opposed? Carried.

A new section 74.1, page 67.

**Mr. Zimmer:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section to division A of part IV of the act:

“Change in tax status

“74.1 If at any time a corporation becomes or ceases to be exempt from tax under part I of the federal act on its taxable income otherwise than by reason of paragraph 149(1)(t) of the federal act, the corporation is deemed to be a new corporation whose first taxation year begins at that time for the purposes of applying this part to the corporation in the calculation of the corporation’s entitlements under subsection 73(1).”

**The Chair:** Any comment? Hearing none, all in favour? Opposed? Carried.

Shall schedule A, section 75, carry? All in favour? Opposed? Carried.

Page 68: a government motion to section 76 under schedule A.

**Mr. Zimmer:** I move that clause (a) of the definition of “government assistance” in subsection 76(21) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “a tax credit under this part” at the beginning and substituting “a tax credit under section 36.2 or this part”.

**The Chair:** Any comment? All in favour? Opposed? Carried.

Shall schedule A, section 76, as amended, carry? All in favour? Opposed? Carried.

Government motion 69.

**Mr. Zimmer:** I move that section 77 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended,

(a) by striking out “January 1, 2011” in clause (a) of the definition of “C” in subsection (3) and substituting “January 1, 2015”;

(b) by striking out “January 1, 2008” in paragraph 1 of subsection (7) and substituting “January 1, 2012”; and

(c) by striking out “January 1, 2011” wherever it appears in subparagraphs 1 iii and 2 ii of subsection (9) and substituting in each case “January 1, 2015”.

**The Chair:** Any comment? Hearing none, all in favour? Opposed? Carried.

Number 70. Ms. Mitchell.

**Mrs. Mitchell:** I move that clause (a) of the definition of “government assistance” in subsection 77(19) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “a tax credit under this part” at the beginning and substituting “a tax credit under section 36.2 or this part”.

**The Chair:** Any comment? Hearing none, all in favour? Opposed, if any? Carried.

Shall schedule A, section 77, as amended, carry? All in favour? Opposed? Carried.

Schedule A, sections 78 and 79, have no amendments. All in favour? Opposed? Carried.

A government motion on page 71.

**Mrs. Mitchell:** I move that subsection 80(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended,

(a) by striking out “April 1, 2007” in clause (a) and substituting “April 1, 2008”; and

(b) by striking out “March 31, 2007” in clause (b) and substituting “March 31, 2008”.

**The Chair:** Comment? Hearing none, all in favour? Opposed, if any? Carried.

Shall schedule A, section 80, as amended, carry? All in favour? Carried.

Sections 81, 82 and 83 do not have any amendments. All in favour? Opposed, if any? Carried.

Now we are at the government motion on page 72.

**Mrs. Mitchell:** I move that clause 84(8)(c) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“(c) the expenditure is incurred by the corporation at a time when the corporation has a permanent establishment in Ontario and the expenditure is attributable to that permanent establishment.”

**The Chair:** Any comment? All in favour? Opposed? Carried.

Mrs. Mitchell, page 73.

**Mrs. Mitchell:** I move that paragraph 3 of subsection 84(9) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “this section or section 85” and substituting “this section or section 36.2 or 85”.

**The Chair:** Any comment? All in favour? Opposed? Carried.

Page 74.

**Mrs. Mitchell:** I move that section 84 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following subsection:

“Interpretation

“(9.1) A provision of the federal act or federal regulations, other than a provision in section 127 of the federal act, that applies for the purposes of the application of a provision in section 127 of that act for the purposes of that act applies for the purposes of this section, unless otherwise provided in this section.”

**The Chair:** Any comment? Hearing none, all in favour? Opposed? Carried.

Page 75, Mr. Arthurs.

**Mr. Arthurs:** I move that clause 84(12)(d) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“(d) an amount that under section 127 of the federal act reduced the amount of a qualified expenditure made by the corporation for the purposes of the definition of ‘investment tax credit’ in subsection 127(9) of that act.”

**The Chair:** Any comment? All in favour? Opposed? Carried.

Page 76, Mr. Arthurs.

**Mr. Arthurs:** I move that section 84 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following subsection:

“Interpretation re ‘specified capital amount’

“(18) Subclauses (b)(i) and (c)(i) of the definition of ‘specified capital amount’ in subsection (17) continue to apply for the purposes of determining a corporation’s specified capital amount for taxation years ending after June 30, 2010 as if division E of part III continued to apply for those taxation years.”

**The Chair:** Any comment? All in favour? Opposed? Carried.

Shall schedule A, section 84, as amended, carry? All those in favour? Opposed? Carried.

Page 77, Mr. Arthurs.

**Mr. Arthurs:** I move that the definition of “government assistance” in subsection 85(27) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “this section or section 84” and substituting “this section or section 36.2 or 84.”

**The Chair:** Any comment? All in favour? Opposed? Carried.

Shall schedule A, section 85, as amended, carry? All in favour? Opposed? Carried.

Schedule A, sections 86 through 91, have no amendments. All in favour? Opposed? Carried.

**1620**

We did motion 78 this morning.

Schedule A, sections 92 through 98, have no amendments. All in favour? Opposed? Carried.

Now it’s motion 79 in your packets.

**Mr. Arthurs:** I move that section 99 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following subsection:

“Application of s.152(6)(d) of federal act

“(2.1) In the application of paragraph 152(6)(d) of the federal act for the purposes of this act, the reference in that paragraph to subsection 127(5) of the federal act shall be read as a reference to section 36.2 of this act.”

**The Chair:** Any comment? All in favour? Opposed? Carried.

Shall schedule A, section 99, as amended, carry? All in favour? Opposed? Carried.

Schedule A, sections 100 through 107, have no amendments. Shall they carry? All in favour? Opposed? Carried.

Now, motion 80.

**Mr. Arthurs:** I move that the definition of “A” in subsection 108(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “and” at the end of clause (a) and by adding the following clause:

“(c) the portion that is reasonably attributable to the false statement or omission of the amount, if any, by which the total Ontario child benefit paid to the person under section 91.1 for any period in the taxation year exceeds the maximum amount to which the person is entitled under that section for that period, and”

**The Chair:** Any comment? Hearing none, all in favour? Carried.

Shall schedule A, section 108, as amended, carry? All in favour? Opposed? Carried.

Shall schedule A, section 109, carry? All in favour? Opposed? Carried.

Now, motion 81.

**Mr. Arthurs:** I move that section 110 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following subsection:

“Application of s.164(5)(f) of federal act

“(1.1) In the application of paragraph 164(5)(f) of the federal act for the purposes of this act, the reference in that paragraph to subsection 127(5) of the federal act shall be read as a reference to section 36.2 of this act.”

**The Chair:** Comment? All in favour? Opposed? Carried.

Shall schedule A, section 110, as amended, carry? All in favour? Opposed? Carried.

Motion 82.

**Mr. Arthurs:** I move that subparagraphs 1i and ii of subsection 111(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “a district office or a taxation centre” wherever it appears and substituting in each case “a tax services office or tax centre.”

**The Chair:** Any comment? All in favour? Opposed? Carried.

Shall schedule A, section 111, as amended, carry? All in favour? Opposed? Carried.

Motion 83.

**Mr. Arthurs:** I move that paragraph 1 of subsection 112(2) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “and” at the end of subparagraph ii, by adding “and” at the end of subparagraph iii and by adding the following subparagraph:

“iv. the amount of an Ontario child benefit, if any, to which the taxpayer is entitled under section 91.1.”

**The Chair:** Any comment? Hearing none, all in favour? Opposed? Carried.

Motion 84.

**Mr. Arthurs:** I move that subsection 112(3) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“Further restrictions on matters that may be raised on appeal

“(3) The following rules apply despite subsections (1) and (2):

“1. A taxpayer has no right of appeal under this act in respect of a matter if the taxpayer has a right of appeal with respect to the matter under the federal act or would have a right of appeal if the federal act were read without reference to subsections 169(2), (2.1) and (2.2) of that act.

“2. A taxpayer has no right of appeal under this act in respect of a matter to the extent that the matter depends on the determination of an amount in respect of the taxpayer under the federal act.

“3. Despite paragraph 2, a corporation may raise as an issue under an appeal whether the Ontario minister’s latest assessment of tax required by subsection 100(1) is consistent for the purposes of subdivision c of division B of part III, with the determination of an amount in respect of the corporation under the federal act.”

**The Chair:** Any comment? All in favour? Opposed? Carried.

Shall schedule A, section 112, as amended, carry? All in favour? Opposed? Carried.

Shall schedule A, section 113, carry? All in favour? Opposed? Carried.

Number 85. Mr. Zimmer.

**Mr. Zimmer:** I move that section 114 of the Taxation Act, 2007, as set out in schedule A to the bill, be amended,

“(a) by adding ‘Subject to subsection (3.1)’ at the beginning of subsection (3); and

“(b) by adding the following subsection:

“‘Restriction on disposition of appeal

“(3.1) If a corporation raises an issue referred to in paragraph 3 of subsection 112(3) on an appeal, the court may only dispose of the appeal on that issue by,

“(a) dismissing it; or

“(b) referring the assessment back to the Ontario minister for consideration and reassessment with respect to the court’s determination of the issue.”

**Mr. Prue:** Just a question: Why is this being done? To limit the rights of what the appeal tribunal can do? If there’s a rationale, I’d like to know it.

**Mr. Arthurs:** Just a brief explanation of number 85: This amendment, together with the amendment to subsection 112(3), would clarify that Ontario courts cannot generally be used to appeal amounts determined under the Federal Income Tax Act. However, in the case of the calculation of the transitional credit-debit, an Ontario court would be authorized to examine the question of whether the calculation made by the Canada Revenue Agency is consistent with the determination of the amount under the federal Income Tax Act.

**Mr. Prue:** But they can’t make the decision; they must return to it to the minister. I need to know why the court is not being allowed to do this.

**Mr. Arthurs:** Once again, if we can call on our—

**Mr. Prue:** There could be a reason; I just want to know why.

**The Chair:** Is there anyone in the room who could answer?

If you would identify yourself for our recording Hansard.

**Mr. Simon Thompson:** I’m Simon Thompson with the Ministry of Finance. The idea here is that the federal courts, the Tax Court of Canada, will be determining the relevant amounts that are the subject of this, so there’s no need to have the Ontario courts involved in this situation. The only involvement of the Ontario courts would be to make sure that the ministers are following the direction properly.

**Mr. Prue:** But as I read this, a corporation or a body takes the matter to the court and the corporation raises an issue, referred to in paragraph 3, which is, “Further restrictions on matters that may be raised on appeal,” and then all the court can do is dismiss the appeal and say, “You don’t have a case.” I understand that, because they can do that anyway. Or if the person is correct, they have to refer the assessment back to the Ontario minister for consideration. I want to know why the court just can’t impose what should be done. Why is it going back to the minister?

That’s the only question I have of you: Why is this authority being taken away from the court and given back to the Ontario minister? Perhaps Mr. Zimmer has an answer.

**Mr. Zimmer:** Because it’s a legal piece. The trigger here is what goes on in the federal act, so it’s the federal courts that have jurisdiction over that and not the Ontario court system.

**Mr. Thompson:** That’s right. The general idea here is that the Tax Court of Canada would have the expertise in these matters and would decide the substantive issue, which ultimately is, “How much are the federal tax attributes involved here?”

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**Mr. Prue:** So they would direct the minister?

**Mr. Thompson:** No, the Tax Court of Canada would be the ones who are responsible in terms of determining what an amount is for the purposes of the federal act, and that amount would govern the calculation of the transitional tax credit and debit as well.

**Mr. Prue:** But again, they can only direct the minister what to do? I’m not understanding. Usually when the courts make a decision—I’m a layman—when a court makes a decision, governments usually fall into place. I understand that we have federal jurisdiction courts and provincial jurisdiction courts. I understand all of that. What I’m not understanding here, in this particular aspect, is that it refers the assessment back to the Ontario minister, back to the department, or back to the court, or awards what should have been done—but back to the minister? I need the rationale for that.

**Mr. Waterston:** Perhaps I could assist. I’m Michael Waterston from the legal services branch of the Ministry of Finance. This wording is common wording in our tax statutes, and the effect of this is that where a taxpayer takes an appeal to court and a court renders a judgment, if the court renders a judgment that is in favour of the taxpayer, the court effectively issues a direction back to the minister to reassess the taxpayer in accordance with the judgment.

What the minister then would do is issue the reassessment in accordance with the judgment, which effectively returns the money to the taxpayer. The taxpayer has successfully appealed.

It is simply a technical way of ensuring that the reassessment is redone to ensure that the taxpayer gets the appropriate refund flowing from the court judgment.

**Mr. Prue:** As opposed to the court simply awarding it itself?

**Mr. Waterston:** Correct.

**Mr. Prue:** Thank you. That’s all I needed.

**The Chair:** Thank you, gentlemen. Other comments? All in favour? Opposed? Carried.

Shall schedule A, section 114, as amended, carry? All in favour? Opposed, if any? Carried.

Schedule A, sections 115 through 126, have no amendment. Shall they carry? All in favour? Opposed? Carried.

Number 86. Mr. Zimmer.

**Mr. Zimmer:** I move that subsection 127(5) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “or 227(10.1) or (10.2)” and substituting “or 227(10) or (10.1).”

**The Chair:** Comment? All in favour? Opposed? Carried.

Shall schedule A, section 127, as amended, carry? All in favour? Opposed? Carried.

Schedule A, sections 128 through 130, have no amendments. Shall they carry? All in favour? Opposed? Carried.

Number 87. Mr. Zimmer.

**Mr. Zimmer:** I move that subclause 131(1)(b)(ii) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “a tax credit under part IV” and substituting “a tax credit under part IV or an Ontario child benefit under section 91.1”.

**The Chair:** Comment? All in favour? Opposed? Carried.

Number 88. Mr. Zimmer.

**Mr. Zimmer:** I move that clause 131(2)(a) of the Taxation Act, 2007, as set out in schedule A to the bill, be amended by striking out “the tax credit under part IV” and substituting “the tax credit under part IV or the Ontario child benefit under section 91.1”.

**The Chair:** Comment? All in favour? Opposed? Carried.

Shall schedule A, section 131, as amended, carry? All in favour? Opposed? Carried.

Shall schedule A, section 132, carry? All in favour? Opposed? Carried.

Schedule A, section 133: number 89. Mr. Zimmer.

**Mr. Zimmer:** I move that subclause 133(3)(b)(i) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“(i) the federal minister, the federal Minister of Finance and the Minister of Revenue, or”.

**The Chair:** Comment? Hearing none—

*Interjection.*

**The Chair:** An error?

**Mr. Arthurs:** Just a correction on that reading, just the bullet point.

**Mr. Zimmer:** I’ll start again.

**The Chair:** Reread it.

**Mr. Zimmer:** I move that subclause 133(3)(b)(i) of the Taxation Act, 2007, as set out in schedule A to the bill, be struck out and the following substituted:

“(i) the federal minister, the Minister of Finance and the Minister of Revenue, or”.

**The Chair:** Thank you. Comment?

**Mr. Prue:** Something for the Minister of Revenue to do.

**The Chair:** All in favour? Opposed? Carried.

Shall schedule A, section 133, as amended, carry? All in favour? Opposed? Carried.

**The Chair:** We have a new section on page 90.

**Mr. Zimmer:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section:

“Reciprocal provision of information, Minister of Finance

“133.1(1) For any of the following purposes, the Minister of Finance and any person employed by the crown who is engaged, directly or indirectly, in the development and evaluation of tax policy for the crown may communicate information and material obtained in the course of his or her duties, or allow it to be communicated, to another person employed by the crown or may receive information and material in the course of his or her duties from another person employed by the crown:

“1. For use in developing or evaluating tax policy for the crown.

“2. For use in developing or evaluating a program that confers a benefit.

“3. For use in the administration or enforcement of an act described in subsection (2) or another act that imposes a tax or confers a benefit.

“Same

“(2) Subsection (1) applies despite any provision in an act administered by the Minister of Finance or the Minister of Revenue or in an act under which the Minister of Finance or the Minister of Revenue exercises powers or performs duties as assigned to him or her under the Executive Council Act.”

**The Chair:** Any comment? All in favour? Opposed? Carried.

Schedule A, sections 134 through 147 have no amendments. Shall they carry? All in favour? Opposed? Carried.

**Mr. Zimmer:** I move that the Taxation Act, 2007, as set out in schedule A to the bill, be amended by adding the following section to part VII of the act:

“Disclosure of corporate information by the Minister of Government Services

“147.1(1) Despite any other act, the Minister of Government Services may, on behalf of the crown in right of Ontario, enter into one or more agreements with the Canada Revenue Agency, on behalf of the crown in right of Canada, providing,

“(a) that the Minister of Government Services may disclose to the Canada Revenue Agency such information with respect to corporations as is specified in the agreement; and

“(b) that the disclosure described in clause (a) shall be only for the purpose of enabling the crown in right of

Canada to collect taxes payable under this act or other legislation that imposes taxes payable by corporations.

“Same

“(2) If an agreement described in subsection (1) is entered into, the Minister of Government Services,

“(a) may disclose the information described in that subsection for the purposes set out in that subsection despite the provisions of any other act; and

“(b) shall disclose the information only in accordance with the terms and conditions of the agreement and for the purpose set out in subsection (1).

“Information

“(3) An agreement under subsection (1) may specify any information relating to a corporation that is contained in records maintained by the Ministry of Government Services or an official appointed by the Minister of Government Services regardless of when the information was first shown on the records and includes information filed by the corporation or another person or entity under any act.

“Supplemental agreements

“(4) The Minister of Government Services may, on behalf of the crown in right of Ontario, enter into an agreement amending the terms and conditions of an agreement entered into under subsection (1).

“Same

“(5) Despite subsection (4), an amending agreement shall not permit the disclosure of any information by the Minister of Government Services,

“(a) to any person other than the Canada Revenue Agency; or

“(b) for any purpose other than the purpose described in clause (1)(b).

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“Transitional

“(6) Any agreement entered into by the Minister of Government Services on behalf of the government of Ontario and the Canada Revenue Agency on behalf of the government of Canada under which the Minister of Government Services may disclose to the Canada Revenue Agency information with respect to corporations for the purpose of enabling the government of Canada to collect taxes payable under the Corporations Tax Act or other legislation that may impose taxes payable by corporations is deemed to be an agreement entered into under subsection (1).”

**The Chair:** Any comment? Any comment?

**Mr. Zimmer:** Sorry, just a second. My colleague has drawn something to my attention. The second last sentence should read: “...Tax Act or other legislation that imposes taxes payable by corporations is deemed to be an agreement entered into under subsection (1).”

**The Chair:** Thank you. Any other comments? Hearing none, all in favour? Opposed? Carried.

Schedule A, sections 148 through 162 have no amendments. Shall they carry? All in favour? Opposed? Carried.

Shall schedule A, as amended, carry? All in favour? Opposed? Carried.

Schedule B, sections 1 through 6 have no amendments. Shall they carry? All in favour? Opposed? Carried.

Now it's 92. Mr. Zimmer.

**Mr. Zimmer:** I think that's the last one. I defer to the parliamentary assistant for the Minister of Finance.

**The Chair:** Mr. Arthurs, number 92.

**Mr. Arthurs:** I move that subsection 7(2) of schedule B to the bill be struck out and the following substituted:

"Same

"(2) Subsections 1(2), (3), (4), (6) and (7) come into force on a day to be named by proclamation of the Lieutenant Governor."

**The Chair:** Any comment? Mr. Prue.

**Mr. Prue:** The change here is that you've taken out subsection (5). Why? The original reading reads all of them and this one here omits number (5). Subsection (5) is being dealt with differently. What is it and why?

**Mr. Waterston:** This particular schedule makes amendments to the Corporations Information Act. Subsection 1(5) of the schedule provides authority to the Minister of Government Services to enter into an agreement with a person to authorize that prescribed person, such as the Canada Revenue Agency possibly, to receive the annual corporate return from corporations under section 3.1 of the Corporations Information Act. This amendment will provide that subsection 1(5) will come into effect, come into force, on royal assent rather than proclamation. That will provide for an additional period of time for the Minister of Government Services

to negotiate and enter into the agreement with the prescribed person.

**Mr. Prue:** So that has not been finalized. That will not have a date, and that will not come into force until some time after the balance of the act?

**Mr. Waterston:** No, no. It will come into force on royal assent rather than proclamation.

**Mr. Prue:** It will come into force first.

**Mr. Waterston:** This particular subsection 1(5) of schedule B will come into force when the act receives royal assent. Under the current version, before this motion, it would come into effect on proclamation. Proclamation is an OIC by the Lieutenant Governor, which is another act that would have to be done.

**The Chair:** Thank you. Any comment? All in favour? Opposed? Carried.

Shall schedule B, section 7, as amended, carry? All in favour? Opposed? Carried.

Shall schedule B, as amended, carry? All in favour? Carried.

Shall sections 1 through 3 of the bill carry? All in favour? Opposed? Carried.

Shall the title of the bill carry? All in favour? Opposed?

Shall Bill 174, as amended, carry? All in favour? Opposed? Carried.

Shall I report the bill, as amended, to the House? All in favour? Opposed? Carried.

We are adjourned.

*The committee adjourned at 1646.*



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#### Also taking part / Autres participants et participantes

Mr. Michael Waterston, counsel, legal services branch  
Mr. Joseph Cox, manager, income security policy  
Mr. Charles Whitfield, senior manager, corporate tax administration redesign project  
Mr. Simon Thompson, senior legislation design specialist  
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