

# 2005 GUIDE TO COMPLETION OF

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# THE ALBERTA CORPORATE INCOME TAX RETURN

## PART 2 - SCHEDULES 12 THROUGH 21

For use by corporations whose discretionary deductions, carry-forward balances of pools, or loss applications differ for Alberta purposes from those claimed federally. Also for use from 2003 on by corporations with crown charges, Alberta Royalty Tax Credit claims or resource allowance.

# 2005

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The logo for the Government of Alberta, featuring the word "Alberta" in a stylized, bold, sans-serif font.

FINANCE  
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This Guide is Part 2 of the AT1 Guide, for use by corporations with discretionary deductions, carry-forward balances of pools or loss applications that differ for Alberta from those claimed federally. It provides guidelines from taxation year 2003 on for corporations with crown charges, Alberta Royalty Tax Credit claims or resource allowance as a result of Alberta's response to federal resource tax policy changes.

Part 2 contains instructions for the completion of Schedules 12 to 21. ([Part 1 of the Guide](#) contains information for the completion of the Alberta Corporate Income Tax Return [\[form AT1\]](#) and Schedules 1 to 11.)

The Guides are not substitutes for the *Alberta Corporate Tax Act* and Regulations. Should a discrepancy occur in interpretation between the Guides and governing legislation, the legislation takes precedence. The Guides cannot cover all the circumstances that affect the completion of the [AT1 return](#). To request forms or to obtain additional information or clarification, please telephone or write:

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We are also accessible by **e-mail** at: [tra.revenue@gov.ab.ca](mailto:tra.revenue@gov.ab.ca)

Unless otherwise stated, all references in this Guide to “the Act” and to section, subsection or paragraph numbers refer to the *Alberta Corporate Tax Act* and its regulations. References to schedules without the “federal” prefix are references to Alberta schedules. References to the “federal Act” and “federal regulations” are references to the *Income Tax Act (Canada)* and its regulations. “TRA” is Alberta Finance, Tax and Revenue Administration.

Information Circulars and Interpretation Bulletins mentioned in this guide are available from the TRA offices listed above or on our web site at:  
[http://www.finance.gov.ab.ca/publications/tax\\_rebates/corporate/index.html](http://www.finance.gov.ab.ca/publications/tax_rebates/corporate/index.html).

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## **INTRODUCTION**

Part 2 of the Guide provides instructions for the completion of Schedules 12 to 21. These schedules must be completed by corporations with discretionary deductions, carry-forward balances of pools, or loss applications different for Alberta purposes from those claimed federally. Schedule 12 must be completed from 2003 on by corporations with crown charges, Alberta Royalty Tax Credit claims or resource allowance because of the differences between the Alberta and federal resource tax regimes.

## **SCHEDULES**

### **SCHEDULE 12: Income/Loss Reconciliation**

Schedule 12 reconciles net income for federal purposes to net income for Alberta purposes, using information from Schedules 13 to 21, as applicable.

Schedule 12 must be used by corporations that

- claim different discretionary amounts for Alberta purposes in the current year,
- have opening balances in the discretionary pools for Alberta purposes different from those for federal purposes, or
- have capital tax liabilities in other provinces that have been deducted in the federal net income (loss) calculation.

Schedule 12 must also be completed from 2003 on by corporations with crown charges, Alberta Royalty Tax Credit claims or resource allowance due to different Alberta and federal resource tax regimes.

#### **Lines 002 to 054: Calculation of Alberta Net Income**

##### **Line 002:**

Enter the amount of net income for federal purposes from line 300 on the federal T2.

##### **Lines 004 to 047:**

**Enter only the items that the corporation has claimed differently for Alberta or where the opening balance for Alberta differs from the federal.** Enter the Alberta value on the appropriate line next to the corresponding federal value. Also, complete the Alberta schedule referenced on the line for the discretionary amount being claimed differently.

From 2003 on corporations with crown charges, Alberta Royalty Tax Credit claims or resource allowance must complete some or all of lines 024, 025, 044, 045, and 047 because the federal government is gradually phasing out:

- 1) resource allowance and non-deductibility from income of crown charges over the period from January 1, 2003 to December 31, 2006; and
- 2) Alberta royalty tax credit exclusion from income over the period from January 1, 2003 to December 31, 2011.

The Alberta Royalty Tax Credit will remain non-taxable for Alberta. Also for Alberta, until December 31, 2006, resource allowance, resource loss and crown charges will be treated as follows:

## **SCHEDULE 12: Income/Loss Reconciliation (cont'd)**

- 1) 100 per cent of resource allowance or resource loss will continue to be deducted or added respectively to income; and
- 2) 100 per cent of crown charges will continue to be added to income.

After December 31, 2006, tax treatment for resource allowance, resource loss and crown charges will be the same for Alberta and federally.

Line 042 reflects the non-deductibility of capital tax liabilities from other provinces. For taxation years beginning after March 31, 2001, other provinces' capital tax liabilities are not deductible in Alberta and should not be included in the calculation of taxable income for Alberta. Capital tax liabilities to other provinces deducted in the calculation of the federal net income (loss) amount on line 002 should be added back in Schedule 12 on line 042. If you have not deducted capital taxes payable to another province on line 002, then do **not** add them back on line 042.

### **Lines 050 and 052:**

Add the recorded federal amounts on Schedule 12 and enter the total on line 050. Add the Alberta amounts recorded on Schedule 12 and enter the total on line 052.

### **Line 054:**

Calculate the net income (loss) for Alberta by subtracting the total federal amount reported on line 050 from the amount on line 002. Then add the total Alberta amount reported on line 052. Enter this amount on line 054 on page 1 and again on line 054 at the top of page 2.

### **Lines 054 to 090: Calculation of Alberta Taxable Income**

Area B on page 2 enables the calculation for taxable income for Alberta. Begin with the net income (loss) for Alberta on line 054 (as calculated on page 1 of Schedule 12). Then deduct the Alberta amounts for lines 056 through 078 where applicable, or deduct the federal amounts where they are the same as the Alberta amounts. Finally, add any amount reported on line 082 to arrive at taxable income (loss) for Alberta on line 090.

### **Lines 054 to 080:**

For each amount reported on lines 056 through 078, complete the applicable Alberta schedule or provide the federal amount.

The inclusion rate to be used in the application of net capital losses from preceding years on line 066 is the rate for the year in which the loss is applied. Please refer to Schedule 18 of this Guide for information about calculating the effective capital gains inclusion rate.

### **Line 082:**

The amount to be reported on line 082 is determined under section 110.5 or subparagraph 115(1)(a)(vii) of the federal Act as adopted by section 17.1 and subsection 18(1.1) of the *Alberta Corporate Tax Act*.

## *SCHEDULE 12: Income/Loss Reconciliation (cont'd)*

Section 126 of the federal Act contains a provision to minimize double taxation on income earned from foreign sources. This provision allows a taxpayer to deduct from tax payable, an amount equal to the lesser of the foreign tax paid on the taxpayer's foreign source income or the Canadian tax payable on that income. The amount that may be claimed as foreign tax credit is reduced as a result of this deduction. For foreign non-business income the amount by which the foreign tax credit is reduced would be lost as a potential foreign tax credit.

To prevent this potential loss of the foreign tax credit, section 110.5 of the federal Act allows a corporation to increase its taxable income artificially to claim additional foreign tax credit. Any amount added to taxable income under section 110.5 is also added to the corporation's non-capital losses and may be carried over to other taxation years.

Subsection 18(1.1) of the Act permits a corporation to choose to increase its taxable income for Alberta by any amount up to the amount used to increase federal taxable income. One restriction on the amount of such an increase is that the corporation may not use section 110.5 of the federal Act to increase its taxable income to create tax against which the Alberta Small Business Deduction and the Alberta Manufacturing and Processing Profits Deduction may be claimed.

If the corporation is an authorized foreign bank, subparagraph 115(1)(a)(vii) of the federal Act, as made applicable by section 17.1 of the Act, allows a corporation to increase its taxable income artificially to claim an additional foreign tax credit. Any amount added to income for this purpose forms part of the non-capital loss, which may be carried over to other taxation years.

Report on line 082 any additions to Alberta taxable income because of the application of either section 110.5 or subparagraph 115(1)(a)(vii) of the federal Act.

### **Line 090:**

The Alberta taxable income (loss) for corporations other than insurers of farmers or fishermen is determined by deducting the amount on line 080 (sum of lines 056 to 078) from Alberta net income (loss) on line 054, and adding the amount on line 082.

**The Alberta taxable income (loss) on line 090 must be entered on line 062 on page 2 of the AT1.**

### **Line 092:**

Insurers of farmers and fishermen are exempt from tax under the federal Act, paragraph 149(1)(t), as adopted by section 35(2.1) of the *Alberta Corporate Tax Act* only if the corporation:

- is not engaged in any business except insurance, and
- earns not less than 20 per cent of its gross premium income (net of reinsurance ceded) from the business of insuring property used in the fishing or farming business or residence of farmers or fishermen.

If the corporation meets these criteria, enter its exempt income on line 092. Under certain circumstances, the corporation is required to calculate its exempt income using the formula provided in section 35(2.1) of the Act.

## *SCHEDULE 12: Income/Loss Reconciliation (cont'd)*

Enter the net amount determined by deducting line 092 from line 090 on line 062 on page 2 of the AT1 return.

### **Lines 100 to 106: Reconciliation of Active Business Income**

On line 100, check “Yes” if the corporation’s calculation of active business income for Alberta differs from the federal calculation and complete the reconciliation on lines 102 to 106; otherwise, check “No” and skip the reconciliation procedure.

To reconcile Alberta and federal active business income, the active business income reported on line 400 of the federal T2 return must be adjusted by any discretionary amounts claimed differently in Alberta (as reported previously on Schedule 12) that affect the calculation of active business income. On line 104, report discretionary amounts claimed differently for Alberta or for differences between the Alberta and federal resource tax regimes used in the calculation of Alberta active business income.

For example, if the corporation claimed \$1,000 capital cost allowance (CCA) in the calculation of active business income for federal purposes and \$850 CCA for Alberta, report the \$150 difference in the CCA claim on line 104. In this case, the CCA deduction for Alberta is less than the federal deduction, resulting in more Alberta active business income than federal. Enter this adjustment to Alberta active business income on line 104.

If active business income includes specified partnership income, ensure that the Alberta small business threshold is used. See [Part 1 of the AT1 Guide](#) (Schedule 1 line 003).

On line 003 of Schedule 1, “Alberta Small Business Deduction”, enter the adjusted amount for Alberta active business income reported on line 106.

### **Lines 110 to 116: Reconciliation of Adjusted Business Income (for Alberta Manufacturing and Processing Deduction Available Until March 31, 2001)**

On line 110, check “Yes” if the corporation’s calculation of adjusted business income for Alberta differs from the federal calculation and complete the reconciliation on lines 112 to 116; otherwise, check “No” and skip the reconciliation process.

To reconcile Alberta adjusted business income, the corporation must report discretionary amounts claimed differently for Alberta or for differences between the Alberta and federal tax regimes used in the calculation of Alberta active business income. The sum of all differences should be reported on line 114.

The Alberta Manufacturing and Processing Profits Deduction is **available only for taxation years that started before April 1, 2001**. If you are claiming a deduction, enter on line 001 of Schedule 11 the amount from line 116 calculated as Alberta adjusted business income.

## **SCHEDULE 13: Capital Cost Allowance (CCA)**

Corporations **must** complete Schedule 13 if the Alberta undepreciated capital cost (UCC) at the beginning of the taxation year is different from the UCC at the beginning of the year for federal purposes. Schedule 13 is also required if the capital cost allowance (CCA) claimed in the taxation year for any class of assets differs from the federal amount.

If there are any differences between Alberta and federal amounts in **any** class, then **all** classes of assets must be included on Schedule 13.

The rules for calculating CCA are the same for Alberta as federally.

**Provide the information in columns 1 to 13 for each class of assets.**

### **Column 1 (Line 001):**

Enter the assigned class number for each class of properties. Alberta and federal class numbers are identical and found in Schedule II to the federal regulations or on federal Schedule 8 of the T2.

### **Column 2 (Line 003):**

Enter the UCC at the beginning of the taxation year for each class. The amount entered for a class must be equal to the closing balance for that class from the preceding taxation year's Schedule 13. If the corporation did not file a Schedule 13 in the previous taxation year, then the amount to include in column 2 is the UCC closing balance on the previous year's federal Schedule 8.

### **Column 3 (Line 005):**

For each class of asset, enter the cost of all acquisitions made and available for use during the year. Include in acquisitions any property acquired in previous years, but first available for use in the current taxation year. This property would have been excluded previously from column 3 in the year of acquisition. Any acquisitions not subject to the half-year rule **must** be listed separately on Schedule 13. (Refer to comments under column 7 below for information about the half-year rule.)

### **Column 4 (Line 007):**

In column 4 enter all amounts that either increase (e.g., repayment of any government assistance that previously reduced the capital cost) or decrease (e.g., federal investment tax credit, government assistance, GST input tax credits) the capital cost of an asset.

### **Column 5 (Line 009):**

The proceeds of disposition for Alberta purposes for any asset in a class is usually the amount the corporation is entitled to receive for the asset when disposed of during the taxation year. Proceeds of disposition that exceed the original capital cost of the asset result in a capital gain equal to the difference between the net proceeds of disposition and the original capital cost. If the Alberta capital gain differs from the amount reported federally, report the Alberta capital gain on Schedule 18, "Dispositions of Capital Property".

Enter in column 5 the lesser of the actual proceeds of disposition or the original capital cost of the asset.



### *SCHEDULE 13: Capital Cost Allowance (CCA)(cont'd)*

#### **Column 6:**

CCA cannot be claimed by the corporation when the amount in column 6 is either:

1. positive, and no property is left in that class at the end of the taxation year (a **terminal loss**); or
2. negative (a **recapture of CCA**).

If, at the end of the taxation year, there are no assets remaining in the class and the UCC for the class as calculated in column 6 is positive, then the corporation has a terminal loss for that class. The terminal loss must be deducted from income. Report the amount of the terminal loss in column 11 of Schedule 13 and do not complete the remaining columns for this class.

If the amount in column 6 is negative, then there is a recapture of CCA. The recapture must be added to income. Report this amount in column 10 of Schedule 13 and do not complete the remaining columns for this class.

The recapture and terminal loss rules do not apply to passenger vehicles in class 10.1.

#### **Column 7 (Line 011):**

Most property acquired and available for use during a taxation year is eligible for only 50 per cent of the CCA calculated for that year. To apply the half-year rule, the corporation must adjust its UCC calculated up to column 6 for the class by half the value of the acquired property subject to that rule.

Make this adjustment by entering in column 7 **one-half the net additions** to the class (net additions being the cost of acquisitions in column 3, minus the proceeds of disposition in column 5, plus or minus certain adjustments from column 4).

Column 3 additions not subject to the half-year rule should be excluded from amounts in column 7. Also excluded from amounts in column 7 are investment tax credits in this year's column 4 that were claimed by the corporation in a preceding taxation year. For purposes of this calculation, net additions cannot be negative.

Certain properties acquired by the corporation through non-arm's-length transfers or in the course of certain reorganizations are exempt from the half-year rule.

#### **Column 8:**

Subtract the amount in column 7 from the amount in column 6 to calculate the reduced UCC and enter this amount in column 8.

#### **Column 9 (Line 013):**

Enter the prescribed rate that applies to the class as provided under Part XI of the federal regulations.

**SCHEDULE 13: Capital Cost Allowance (CCA) (cont'd)**

**Column 12 (Line 019):**

In Column 12 for each class enter the amount of CCA the corporation wishes to claim for Alberta purposes. The corporation can claim any amount of CCA up to the maximum CCA claim available. For those classes using the declining balance method, calculate the maximum CCA claim available by multiplying the CCA rate in column 9 by the reduced UCC in column 8. For information about calculating the maximum CCA claim for classes that use a straight-line calculation, or for special classes, refer to Part XI of the federal regulations.

If the corporation's taxation year is less than 365 days, the maximum CCA claim available for each class must be prorated, except for those classes specifically excluded from proration by federal regulation 1100(3). Excluded classes include: class 14 and 15 assets, timber limits and cutting rights, industrial mineral mines, certified productions, Canadian film and video productions, and certain mining equipment in classes 28 and 41.

To obtain the prorated maximum CCA claim available, multiply the maximum claim calculated by the number of days in the taxation year and divide by 365.

**Column 13 (Line 021):**

For each class, enter the result obtained from adding the amounts in columns 6 and 10 and subtracting from that total the amounts in columns 11 and 12. This is the UCC at the end of the year for each class. This amount will be the opening balance for the subsequent year's return.

**Lines 023, 025 and 027:**

On lines 023, 025 and 027, enter respectively the total of all amounts in columns 10, 11 and 12.

**The amounts from lines 023 (recapture), 025 (terminal loss) and 027 (CCA) must be entered respectively at lines 006, 008 and 004 on Schedule 12, "Income/Loss Reconciliation."**

## **SCHEDULE 14: Cumulative Eligible Capital Deduction**

Some business-related capital expenditures are not eligible for CCA. Corporations incur these expenditures, called “**eligible capital expenditures**”, to buy intangible capital property, known as “**eligible capital property**”. Some examples of eligible capital property are:

- goodwill,
- trademarks,
- franchises, concessions, or licences for an unlimited period,
- patents and licences to use patents not included in class 44 for an unlimited period, and
- expenses incurred for incorporations, reorganization or amalgamation.

Eligible capital expenditures may qualify for a partial deduction called a “**cumulative eligible capital deduction**”. The cumulative eligible capital account is set up by the corporation to keep track of eligible capital expenditures qualifying for this deduction.

Corporations must complete Schedule 14 if the Alberta amount of the cumulative eligible capital (CEC) at the beginning of the taxation year is different from the federal CEC opening balance, or if the CEC deduction for the current year for Alberta differs from the amount claimed federally.

The calculation of the Alberta CEC deduction follows the same rules as the federal calculation. The federal rules changed substantially in 2001 and Schedule 14 has been redesigned accordingly.

### **Lines 002 to 026: Area A - Current Year Deduction and Carry-Forward**

Complete Area A to determine the current year’s deduction available and calculate the CEC balance at the end of the taxation year to be carried forward to the subsequent year.

#### **Line 002:**

Enter on line 002 the CEC balance at the beginning of the taxation year. This amount must equal the closing balance from the preceding taxation year’s Schedule 14. If, in the previous taxation year, the corporation did not use Schedule 14, then the amount to include on line 002 is the closing balance on the previous year’s federal Schedule 10.

#### **Line 004:**

Enter on line 004 the cost of eligible capital property acquired during the taxation year.

#### **Line 008:**

Include on line 008 the cost amount for any other adjustments to the CEC opening balance at the beginning of the taxation year.

#### **Line 010:**

Enter on line 010 the amount obtained when the total of lines 004 and 008 is multiplied by 75 per cent.

**SCHEDULE 14: Cumulative Eligible Capital Deduction (cont'd)**

**Line 011:**

Enter on line 011 half the non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002.

This adjustment is made so that the CEC pool addition for eligible capital property acquired from non-arm's length transferors after December 20, 2002, does not exceed the total of:

- three-quarters of the transferor's eligible capital expenditure on that property, and
- the taxable capital gain realized by the transferor on disposition of that property for which no capital gains exemption under s.110.6 of the federal Act has been claimed.

**Line 013:**

Enter on line 013 the difference obtained when the amount on line 011 is subtracted from the amount on line 010. If the amount is negative, enter "0".

**Line 006:**

Enter on line 006 the CEC balances transferred on amalgamation or windup of a subsidiary.

**Line 012:**

Enter on line 012 the total of lines 002, 006 and 013 added together.

**Line 014:**

Enter on line 014 the proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of an eligible capital property during the taxation year.

**Line 016:**

Enter on line 016 the gross amount of a reduction for a forgiven debt obligation allowed by subsection 80(7) of the federal Act.

**Line 018:**

Enter on line 018 any other adjustments.

**Line 020:**

On line 020, enter 75 per cent of the **total** of lines 014, 016 and 018.

**Line 022:**

Enter on line 022 the difference obtained subtracting the amount on line 020 from that on line 012. The amount on line 022 is the CEC balance before the current year's deduction. If the amount is positive, a current year deduction is available and calculated on line 024.

*SCHEDULE 14: Cumulative Eligible Capital Deduction (cont'd)*

If line 022 is negative, enter zero at both lines 024 and 026 and the negative amount from line 022 as a **positive amount** on line 030 in Area B on Schedule 14.

**Line 023:**

Enter on line 023 the CEC amount for property the corporation no longer owns after ceasing to carry on a business.

**Line 024:**

If the amount on line 022 is positive, the maximum current year's deduction is seven per cent of the difference obtained when line 023 is subtracted from line 022. A corporation is not required to claim the maximum amount calculated. Enter the amount the corporation wishes to claim for Alberta purposes on line 024.

For taxation years beginning after December 21, 2000 the maximum deduction available must be prorated by the number of days in the taxation year divided by 365.

The sum of the amounts on lines 023 and 024 must be carried forward to **line 010 of Schedule 12, "Income/Loss Reconciliation.**

**Line 026:**

The CEC balance at the end of the taxation year is calculated by deducting from the balance on line 022 the amounts on lines 023 and 024.

The CEC balance at the end of the taxation year on line 026 must be **carried forward to line 002 of the subsequent year's Schedule 14** as the opening CEC balance for that taxation year.

**Lines 030 to 056: Area B - Amount to be Included in Income Arising from Disposition**

Whenever the CEC balance on line 022 is **negative**, include in income the amount calculated in Area B.

**Line 030:**

If the amount on line 022 is **negative**, enter it as a **positive amount** on line 030.

**Line 042:**

Enter the cumulative amount of eligible capital deductions claimed for taxation years that began after June 30, 1988.

**Line 044:**

Enter the total of all amounts that reduced the CEC in this or any prior year under the debt forgiveness rules in subsection 80(7) of the federal Act.

**Line 032:**

Enter the amount of total cumulative eligible capital deductions claimed for taxation years beginning before July 1, 1988 on line 032.

*SCHEDULE 14: Cumulative Eligible Capital Deduction (cont'd)*

**Line 034:**

Enter as a positive amount on line 034 the total of all CEC account balances required to be included in income for taxation years beginning before July 1, 1988.

**Line 046:**

Add the amounts on lines 042, 044, and 032. From that total subtract the amount on line 034 and enter the result on line 046. If the amount is negative, enter "0".

**Line 047:**

On line 047 enter any line 042 amount required to be included in income under paragraph 14(1)(b) of the federal Act for taxation years ending after June 30, 1998 and before February 28, 2000.

**Line 048:**

Total the amounts reported on line 056 of Schedule 14 for all taxation years ending after February 27, 2000, except for the current taxation year. Enter this sum on line 048. Enter "0" on line 048 if there are no prior taxation years ending after February 27, 2000.

**Line 050:**

Subtract the total of the amounts on lines 047 and 048 from the amount on line 046 and enter the result on line 050. If the amount is negative, enter "0".

**Line 052:**

Subtract the amount on line 050 from the amount on line 030. If the amount is negative enter "0".

**Line 036:**

Subtract the amount on line 034 from line 032. Multiply the result by one-half and enter that amount on line 036.

**Line 054:**

If the corporation's taxation year **ends after February 27, 2000 and before October 18, 2000**, subtract the amount on line 036 from line 052. Multiply the resulting difference by **8/9** to adjust for the capital gains inclusion rate change from three-quarters to two-thirds for the period. Enter the calculated amount on line 054.

If the corporation's taxation year **ends after October 17, 2000**, subtract the amount on line 036 from line 052. Multiply the resulting difference by two-thirds to adjust for the capital gains inclusion rate change from two-thirds to one-half for the period. Enter the amount on line 054.

If the amount for line 054 is negative, enter "0".

**Line 056:**

On line 056, enter the smaller amount either from line 030 or 050.

*SCHEDULE 14: Cumulative Eligible Capital Deduction (cont'd)*

**Line 040:**

For taxation years **ending before February 28, 2000**, subtract the amount on line 036 from the amount on line 030. Enter the resulting difference, if positive, on line 040.

For taxation years **ending after February 27, 2000**, add the amounts on lines 054 and 056. Enter the resulting total, if positive, on line 040.

If the amount calculated for line 040 is negative, enter "0".

The amount on line 040 must be entered on **line 012 on Schedule 12**.

## **SCHEDULE 15: Resource-related Deductions**

Corporations **must complete all areas of Schedule 15** if the balance at the end of the preceding taxation year or the claim for the current year for **any of the following resource-related deductions** differs for Alberta from federal amounts reported:

- Earned Depletion Base (Area A),
- Mining Exploration Depletion Base (Area B),
- Cumulative Canadian Exploration Expenses (Area C),
- Cumulative Canadian Development Expenses (Area D),
- Cumulative Canadian Oil and Gas Property Expenses (Area E),
- Foreign Exploration and Development Expenses (Area F),
- Specified Foreign Exploration and Development Expenses (Area G), and
- Cumulative Foreign Resource Expenses (Area H).

### **Area A: Continuity of Earned Depletion Base (Lines 001 to 021)**

The calculation of the earned depletion base follows the same rules for Alberta and federally. Except for certain transfers, no additions are permitted after December 31, 1989 to the earned depletion base. Subject to existing rules, a corporation can claim a deduction in the current taxation year of up to its earned depletion base balance at the end of the preceding taxation year.

No additions are permitted to this pool, except amounts transferred to the corporation under the following circumstances:

- an amalgamation, under subsection 87(1.2) of the federal Act;
- the windup of a subsidiary, under subsection 88(1.5) of the federal Act; or
- the sale of resource property other than on an amalgamation or windup of a subsidiary.

If the transferred expenses were regular expenses in the hands of the amalgamating company or the subsidiary being wound up, then they should be recorded as regular expenses in the successor's hands. Otherwise, the transferred earned depletion base is subject to the successor rules and should be entered in the successor expenses column.

Amounts transferred on the sale of resource property to a successor corporation must be deducted from the earned depletion base (regular expense column or successor expense column, as applicable).

Calculate the claim according to federal regulations 1201 and 1202(2).

The amounts claimed on lines 007 and 019 must be included in the amount reported on **line 022 of Schedule 12, "Income/Loss Reconciliation"**.

### **Area B: Continuity of Mining Exploration Depletion Base (Lines 023 to 033)**

A corporation may deduct a mining exploration depletion allowance, calculated according to federal rules. No additions are allowed to the mining exploration depletion base after December 31, 1989, except for transfers received in an amalgamation, windup of a subsidiary or other allowable circumstance.

Transfers on the disposal of resource property to successor corporations should be deducted from the pool before calculating the amount available for the current year's claim.



### *SCHEDULE 15: Resource-related Deductions (cont'd)*

The amount that is claimed on line 031 must be included in the amount reported on **line 022 of Schedule 12, "Income/Loss Reconciliation"**.

#### **Area C: Cumulative Canadian Exploration Expenses (Lines 041 to 083)**

Canadian exploration expenses (CEE) are generally intangible costs incurred to determine the existence, nature or location of a previously undiscovered oil or gas reservoir. The amounts to be included, deducted, or claimed in the year are determined using the federal rules.

Additions to the CEE pools include:

- current year's CEE,
- reclassified Canadian development expenses,
- transfers on amalgamation or windup of a subsidiary,
- transfers other than on amalgamation or windup of a subsidiary,
- Canadian renewable and conservation expenses, and
- all other additions (e.g., repayments of government assistance and bad debts from a sale or recovery of CEE).

Amounts that must be deducted from the CEE pools include:

- current year's claim,
- government assistance and grants,
- amounts transferred on disposition of resource property to a successor corporation, and
- other deductions or transfers (e.g., investment tax credits claimed in the immediately preceding year and amounts received from the sale of seismic data).

CEE is reported in two types of pools: regular and successor expenses. The corporation may have more than one CEE pool for successor expenses as the deductibility of those expenses is determined on a property-by-property basis. The additions and deductions noted above must be recorded in the appropriate pool to determine the amounts on which the current year's claims for regular and successor CEE are based.

The maximum deduction for the regular expense pool is the regular pool amount. For a successor expense pool, the maximum deduction is the lesser of:

- the amount available in the successor expense pool; or
- the production income from the successored properties, together with income from a negative account balance for the regular expenses pool of Canadian Development Expenses (CDE) attributable to net proceeds from the disposition of those successored properties.

A negative amount in the regular expenses pool for CDE is brought into the income of the corporation. The amount of that income that can be attributed to net proceeds from the disposition of successored properties may be deducted from the successored expenses pool for CEE. See subparagraph 66.7(3)(b)(i) of the federal Act.

A "**principal business corporation**" is one whose principal business is mining, oil and gas production, and related activities. A principal business corporation may only claim CEE up to the amount of its taxable income; it cannot create a loss by claiming CEE. This limitation does not apply to non-principal business corporations.

### *SCHEDULE 15: Resource-related Deductions (cont'd)*

The amounts claimed on lines 061 and 081 must be carried forward to line 026 on Schedule 12, "Income/Loss Reconciliation". If the amount available in the regular expenses column is negative, include this amount in income on **line 040 on Schedule 12** and enter "0" on **lines 061 and 063 of Schedule 15**.

#### **Area D: Cumulative Canadian Development Expenses (Lines 091 to 143)**

Canadian development expenses (CDE) are generally intangible costs incurred in bringing known reservoirs of oil and gas into production. The amounts to be included, deducted, or claimed in the year are determined following the federal rules.

Additions to the CDE pools include:

- current year's CDE,
- transfers on amalgamation or windup of a subsidiary,
- transfers other than on amalgamation or windup of a subsidiary, and
- other additions (e.g., repayments of government assistance and bad debts from a sale or recovery of CDE).

Amounts to be deducted from the CDE pools include:

- current year's claim,
- reclassified Canadian exploration expenses,
- government assistance and grants,
- amounts receivable on the disposition of underground oil and gas storage rights or mining property,
- credit balance in the cumulative Canadian oil and gas property expense pool,
- amounts transferred on the disposition of resource property to a successor, and
- other deductions or transfers (e.g., amounts receivable as a recovery of costs included in CDE).

CDE is reported in two types of pools: regular and successor expenses. The corporation may have more than one CDE pool for successor expenses. The deductibility of these expenses is determined on a property-by-property basis. The additions and deductions noted above must be recorded in the appropriate pool to determine the amounts on which the current year's claims for regular and successor CDE are based.

The maximum deduction for CDE is the total of:

- 30 per cent of the amount available in the regular expenses pool, and
- the lesser of 30 per cent of the amounts available in the pools for successor expenses or the income attributed to the production from those successored properties.

If the amounts on lines 113 and 139 are positive, the current year's CDE claims shown on lines 115 and 141 are added together and carried forward to line 028 on Schedule 12, "Income/Loss Reconciliation".

A negative amount on line 139 is carried forward to line 107 of Schedule 15. However, if an election under subparagraph 66.7(4)(a)(iii) of the federal Act has been filed by the corporation, then a negative amount on line 139 is entered on line 167 in Area E of Schedule 15.

### *SCHEDULE 15: Resource-related Deductions (cont'd)*

If line 113 is negative, the negative amount must be included in income on line **040 of Schedule 12**.

For fiscal periods less than 51 weeks prorate the amount that can be claimed, based on the proportion of the number of days in the taxation year to 365.

#### **Area E: Cumulative Canadian Oil and Gas Property Expenses (Lines 151 to 191)**

Canadian oil and gas property expenses (COGPE) are generally the costs of acquiring oil and gas properties. The amounts to be included, deducted, or claimed in the year are determined following the federal rules.

Additions to the COGPE pools include:

- current year's COGPE,
- amounts transferred on the amalgamation or windup of a subsidiary,
- amounts transferred other than on the amalgamation or windup of a subsidiary, and
- other additions (e.g., bad debts from a sale or recovery of COGPE).

Amounts to be deducted from the COGPE pools include:

- current year's claim;
- amounts received, or receivable, on the disposition of Canadian oil and gas properties;
- government assistance and grants;
- amounts transferred on the disposition of resource properties to a successor, and
- other deductions or transfers (e.g., repayments of government assistance and amounts recovered for bad debts from a sale or recovery of COGPE).

COGPE are accounted for in two types of pools: regular and successor expenses. The corporation may have more than one COGPE pool for successor expenses. The deductibility of these expenses is determined on a property-by-property basis. The additions and deductions noted above must be recorded in the appropriate pool to determine the amounts on which the current year's claims for regular and successor COGPE are based.

The maximum deduction for COGPE is the total of:

- 10 per cent of the amount available in the regular expenses pool, and
- the lesser of 10 per cent of the amounts available in the pools for successor expenses or the income attributable to production from successored properties.

When unsuccessored oil and gas properties are disposed of, net proceeds of disposition reduce the amounts that can be claimed in the resource pools in the following order:

- regular expenses pool for COGPE, and
- regular expenses pool for CDE.

If the regular expenses pool for CDE is negative, the negative amount must be brought into the corporation's income.

### *SCHEDULE 15: Resource-related Deductions (cont'd)*

When successored oil and gas properties are disposed of, net proceeds of disposition reduce the amounts that can be claimed in the resource pools in the following order:

- successor expenses pool for COGPE,
- regular expenses pool for COGPE,
- successor expenses pool for CDE, and
- regular expenses pool for CDE.

If the regular expenses pool for CDE is negative, the negative amount must be brought into the corporation's income.

If the corporation files an election under subparagraph 66.7(4)(a)(iii) of the federal Act, then the order in which net proceeds from the disposition of successored oil and gas properties reduce the amounts that may be claimed in the resource pools is changed to the following:

- successor expenses pool for COGPE,
- successor expenses pool for CDE,
- regular expenses pool for COGPE, and
- regular expenses pool for CDE.

If the regular expenses pool for CDE is negative, the negative amount must be brought into the corporation's income.

If the amounts available in both the regular expenses column and the successor expenses column for COGPE are positive, then the amounts on lines 169 and 189 are totalled and carried forward to **line 032 on Schedule 12, "Income/Loss Reconciliation"**.

If the amount available in the successor expenses column for COGPE is negative, and the corporation has not filed an election under subparagraph 66.7(4)(a)(iii) of the federal Act, then this amount must be entered on line 167 of Schedule 15. However, if the corporation has filed an election under subparagraph 66.7(4)(a)(iii) of the federal Act, a negative amount available in the successor expenses column for COGPE must be carried forward to line 133 of Schedule 15.

If the amount available in the regular expenses column for COGPE is negative, the corporation must enter the amount on line 105 in Area D of Schedule 15.

For fiscal periods less than 51 weeks, prorate the amount that can be claimed based on the proportion of the number of days in the taxation year to 365.

### **Lines 201 to 233: Area F - Foreign Exploration and Development Expenses (for taxation years prior to 2001 only)**

Foreign exploration and development expenses (FEDE) are generally costs incurred in conducting resource exploration and development activities outside of Canada that are **not specified FEDE or foreign resource expenses for a particular country**. If those costs are for a particular country, then complete the applicable Area G or H of Schedule 15. A taxpayer may incur FEDE only in taxation years beginning before 2001.

The amounts to be included, deducted, or claimed in the year are determined following the federal rules.

### *SCHEDULE 15: Resource-related Deductions (cont'd)*

Additions to the FEDE pools include:

- current year FEDE,
- amounts transferred on amalgamation or windup of a subsidiary, and
- amounts transferred other than on amalgamation or windup of a subsidiary.

Amounts to be deducted from the FEDE pools include:

- current year's claim, and
- other deductions or transfers.

These additions and deductions must be recorded in one of the two pools: regular or successor expenses. The corporation may have more than one FEDE pool for successor expenses. The deductibility of these expenses is determined on a property-by-property basis.

The maximum deduction for regular expenses of FEDE is the **lesser** of:

- the amount available in the FEDE regular expenses pool, or
- the **greater** of the foreign source resource income or 10 per cent of the amount available in the FEDE regular expenses pool.

For fiscal periods less than 51 weeks, prorate 10 per cent based on the proportion of the number of days in the taxation year to 365.

The maximum deduction for successor expenses of FEDE is the **lesser** of the:

- amount available in the successor expenses pool, or
- foreign source resource income attributable to the successored properties.

Foreign source resource income includes income from oil and gas wells or mines outside Canada and net proceeds from the disposition of foreign resource properties.

Add the current year's FEDE claims on lines 209 and 221 together, then the total to the current year's claims for specified FEDE in Area G and foreign resource expense in Area H. Carry forward the amount to **line 030 on Schedule 12**.

If the amount available in either the regular or successor expenses column for FEDE is negative, include it in income on **line 040 of Schedule 12**.

### **Lines 241 to 277: Area G – Specified Foreign Exploration and Development Expenses**

Specified foreign exploration and development expenses (specified FEDE) are generally costs allocated to a particular country, incurred in conducting resource exploration and development activities outside Canada **in taxation years commencing before 2001**.

Costs are allocated to specific countries for taxation years beginning after December 31, 1999 except where the corporation has elected to have costs allocated to specific countries for any taxation years beginning any time after December 31, 1994.

Follow the federal rules to determine the amounts to be included, deducted, or claimed in the year.

### *SCHEDULE 15: Resource-related Deductions (cont'd)*

Additions to the specified FEDE pools include:

- current year specified FEDE,
- amounts transferred on amalgamation or windup of a subsidiary, and
- amounts transferred other than on amalgamation or windup of a subsidiary.

Amounts to be deducted from the specified FEDE pools include:

- current year's claim, and
- other deductions or transfers.

These additions and deductions must be recorded in one of the two pools - regular or successor expenses. The corporation may have more than one specified FEDE pool for successor expenses. The deductibility of these expenses is determined on a property-by-property basis.

The maximum deduction for the regular expenses of specified FEDE is the **lesser** of the:

- amount available in the specified FEDE regular expenses pool, or
- **greater** of the foreign resource income or 10 per cent of the amount available in the specified FEDE regular expenses pool.

The deduction claimed for regular expenses must be allocated to a particular country according to federal subsection 66(4.2). The foreign resource income in the above formula is the excess of the foreign resource income over the amount claimed under federal subsection 66.7(2).

For fiscal periods less than 51 weeks, prorate 10 per cent based on the proportion of the number of days in the taxation year to 365.

The maximum deduction for the successor expenses of specified FEDE is the **lesser** of the:

- amount available in the successor expenses pool, or
- foreign source resource income attributable to the successored properties.

The deduction claimed for successored expenses must be allocated to a particular country according to federal subsection 66.7(2.2).

Add the current year's specified FEDE claims on lines J and S together, then the total to the current year's claims for FEDE in Area F and foreign resource expense in Area H. Carry forward the amount to **line 030 on Schedule 12, "Income/Loss Reconciliation"**.

If an amount available in either the regular or successor expenses column for specified FEDE is negative, the negative amount must be included in income on **line 040 of Schedule 12**.

### **Lines 281 to 317: Area H – Cumulative Foreign Resource Expenses**

Foreign resource expense (FRE) is generally resource exploration and development activity costs incurred outside Canada in taxation years **beginning in 2001 or later**.

### *SCHEDULE 15: Resource-related Deductions (cont'd)*

The amounts to be included, deducted, or claimed in the year are determined following federal rules.

There are two types of pools: regular and successor expenses. The corporation may have more than one FRE pool for successor expenses. The deductibility of these expenses is determined on a property-by-property basis.

Additions to the FRE pools include:

- current year FRE,
- amounts transferred on amalgamation or windup of a subsidiary, and
- amounts transferred other than on amalgamation or windup of a subsidiary.

Amounts to be deducted from the FRE pools include:

- current year's claim, and
- other deductions or transfers.

The maximum deduction for the regular expenses of FRE is the **total of A and B** where:

- A equals the **greater** of:
  - 10 per cent of the amount available in column FF; or
  - the **least** of the following amounts:
    - 30 per cent of the amount available in column FF,
    - the foreign resource income for a particular country in column II, or
    - the total of all amounts in column II.
- B equals the **lesser** of the:
  - excess of the amount in column FF minus the amount A above, or
  - global resource limit for the year designated for that country.

The amounts in column II are the excesses of foreign resource incomes over the total of any amounts designated under federal subparagraph 59(1)(b)(ii) and claimed under federal subsections 66(4), 66.7(2) and 66.7(2.3). For fiscal periods less than 51 weeks, prorate 10 and 30 per cent based on the proportion of the number of days in the taxation year to 365.

The maximum deduction for the successor expenses of FRE is the **lesser** of:

- 30 per cent of the amount available in column OO, or
- the foreign resource income in column RR attributable to successored properties.

For fiscal periods less than 51 weeks, prorate 30 per cent based on the proportion of the number of days in the taxation year to 365. Add the current year's FRE claims on lines JJ and SS together, then add the total to the current year's claims for FEDE in Area F and specified FEDE in Area G. Carry the amount forward to **line 030 on Schedule 12, "Income/Loss Reconciliation"**.

Include any negative amount in column FF or OO in income on **line 040 of Schedule 12**.

## **SCHEDULE 16: Scientific Research Expenditures**

As defined in subsection 248(1) of the federal Act, scientific research and experimental development (SR&ED) is a systematic investigation or search by experiment or analysis carried out in a field of science or technology that is basic research, applied research or experimental development.

Corporations **must complete Schedule 16** if the Alberta amounts reported for one or more of the following differ from those reported federally:

1. line 012 for the unclaimed SR&ED expenditure pool balance from the previous year,
2. line 020 for the SR&ED expenditure pool deduction claimed in the current year, or
3. line 022 for the unclaimed SR&ED pool deduction balance.

The federal rules are used in the calculation of SR&ED for Alberta purposes.

SR&ED expenditures, both current and capital, form a special pool. A deduction may be made in the current year or carried forward to any future year if the expenditures have not been deducted previously.

### **Lines 002 to 018:**

Enter on line 002 the allowable SR&ED expenditures from line 400 of federal form T661.

The following amounts are deducted from the SR&ED expenditure pool to determine the current year's available SR&ED deduction:

- government and non-government assistance for expenditures (line 004),
- previous year's investment tax credit claimed for SR&ED (line 006), and
- sale of SR&ED capital assets and other deductions (line 008).

The following amounts are added to the SR&ED expenditure pool to determine the current year's available deduction:

- repayments of government and non-government assistance (line 010),
- unclaimed SR&ED expenditure pool balance from the previous year (line 012),
- SR&ED expenditure pool transfer from amalgamation or windup of a wholly-owned subsidiary (line 014), and
- recapture of investment tax credit added in the previous taxation year to federal tax payable under subsections 127(27), 127(29), 127(30), or 127(34) of the federal Act (line 015).

If the resulting amount on line 016 is negative, this amount must be included in income and carried forward to line 034 of Schedule 12, "Income/Loss Reconciliation", as a negative value with "0" entered on lines 018, 020 and 022.

If the amount on line 016 is positive, enter this amount on line 018.

If there has been an acquisition of control of the corporation, there are special rules in paragraph 37(1)(h) and subsection 37(6.1) of the federal Act that must be used to calculate the deduction available in the current taxation year. Generally these rules operate to restrict the corporation's carry forward of SR&ED expenditures after an acquisition of control, similarly to the rules under subsection 111(5) of the federal Act.



*SCHEDULE 16: Scientific Research Expenditures (cont'd)*

**Line 020:**

The amount of SR&ED claimed in the current year is reported on line 020 and then **carried forward to line 034 of Schedule 12** as a positive amount.

**Line 022:**

Enter on line 022 the difference obtained when line 020 is subtracted from line 018. This amount will be carried forward to next year's line 012 on Schedule 16.

## **SCHEDULE 17: Tax Reserves**

Corporations must **complete all areas of Schedule 17** if the Alberta amounts reported for any of the following tax reserve balances differ from those reported federally:

- balances at the beginning of the taxation year,
- transfers of reserve balances on windup or amalgamation, or
- balances at the end of the taxation year.

All capital gains reserves are reported on Schedule 18, "Dispositions of Capital Property", and are **not** included in Schedule 17.

### **Lines 001 to 077:**

On lines 001 to 017, enter the reserve balances at the beginning of the taxation year.

### **Line 021:**

Add the amounts on lines 001 to 017 and enter the total on line 021.

### **Lines 031 to 047:**

Enter on lines 031 to 047 any reserve balances transferred during the taxation year on the windup of a subsidiary or amalgamation under subsections 88(1) and 87(1) of the federal Act.

### **Line 051:**

Add the amounts on lines 031 to 047 and enter the total on line 051.

### **Lines 061 to 077:**

Enter on lines 061 to 077 the closing reserve balances for the taxation year.

### **Line 081:**

Add the amounts on lines 061 to 077 and enter the total on line 081.

**Carry the amount reported on line 081 forward to line 038 of Schedule 12, "Income/Loss Reconciliation".**

### **Line 091:**

Add the amounts on lines 021 and 051 and enter the total on line 091.

The total of all balances in the tax reserves at the beginning of the taxation year is added to the total of all transfers on windup or amalgamation. The resulting amount is reported on line 091. **This amount is then carried forward to line 036 of Schedule 12.**

## **SCHEDULE 18: Dispositions of Capital Property**

### **DISPOSITIONS OF CAPITAL PROPERTY**

Schedule 18 **must be completed** if the proceeds of disposition, adjusted cost base or the outlays and expenses of any **capital property dispositions differ for Alberta from the amounts reported federally.**

Calculation of an Alberta capital gain or loss follows the federal rules.

#### **Lines 002 to 060:**

For each type of capital property disposition occurring during the taxation year, a corporation will calculate the total capital gain or loss realized on disposition as the amount, if any, by which the total of all proceeds of disposition exceeds the total of all amounts that are:

- a) the total of all adjusted cost bases, and
- b) the total of all outlays and expenses.

The resulting gain or loss is reported in column D on the appropriate line.

Personal-use property losses are not deductible.

#### **Line 062:**

Add the amounts in Column D, lines 054 to 060, and enter the total on line 062, but do not include the amounts on lines 059 and 060 if the difference between them is a net loss.

#### **Line 064:**

Enter on line 064 the total of all capital gains dividends received on the shares of a mutual fund corporation.

#### **Lines 066 and 068:**

Calculate the portion of the capital gain reserve to be included in income according to subparagraph 40(1)(a)(iii) of the federal Act. Enter the opening reserve balance on line 066, the closing reserve balance on line 068.

#### **Line 070:**

To calculate the total capital gain or loss add the amount on line 062, the capital gains dividends on line 064, and the capital gains reserve opening balance on line 066. Deduct the capital gains reserve closing balance on line 068 from that total (i.e., line 062 + 064 + 066 – 068). Enter the total amount of the capital gain or loss on line 070.

#### **Line 072:**

The total capital gain or loss on line 070 is reduced by:

- one-half the gain on donations of securities listed on a prescribed stock exchange for donations made after February 18, 1997 and before the year 2002; and

### *SCHEDULE 18: Dispositions of Capital Property (cont'd)*

- one-half the gain on donations of ecologically-sensitive land made after February 27, 2000.

Add the adjustments calculated on lines A and B and enter the total on line 072.

#### **Line 074:**

To determine the corporation's capital gain, subtract the amount on line 072 from the amount on line 070 and enter the difference on line 074.

If the amount on line 074 is negative, carry it forward to line 057 of Schedule 21.

#### **Line 076:**

Multiply the amount on line 074 by the inclusion rate for the year to determine the taxable capital gain. Enter this amount on line 076.

Carry forward the amount on line 076, **if positive** to line 040 of Schedule 12, "Income/Loss Reconciliation".

#### **Inclusion Rates**

TRA does not provide a worksheet to calculate the capital gains inclusion rate. For capital gains or losses from dispositions prior to February 28, 2000, the inclusion rate is three-quarters. For capital gains or losses from dispositions occurring after February 27, 2000, but before October 18, 2000, the inclusion rate is two-thirds. For capital gains or losses from dispositions occurring after October 17, 2000, the inclusion rate is one-half.

An effective inclusion rate must be calculated for the year where:

1. a corporation's taxation year includes at least two of these periods, and
2. there were capital dispositions in more than one of these periods.

The effective inclusion rate blends the rates in effect for the various capital transactions throughout the year. The single rate determined applies to all of the capital gains or losses realized in the year. Where the capital gains or losses for Alberta are different from the amounts applicable federally, the inclusion rates for Schedule 18 and federally may vary, although determined in the same fashion.

To calculate an inclusion rate for a taxation year that straddles the inclusion rate changes in the year 2000, prepare a worksheet similar to the one set out below. Enter the Alberta values from Schedule 18 as follows to determine the corporation's inclusion rate:

**SCHEDULE 18: Dispositions of Capital Property (cont'd)**

Gains or losses before Feb. 28, 2000.....	Line J
Taxable portion of Line J (Line J x 3/4).....	Line JJ
Gains or losses after Feb. 27, 2000 and before Oct. 18, 2000 .....	Line K
Taxable portion of Line K (Line K x 2/3).....	Line KK
Subtotal Line a (note 1) .....	Line J + Line K
Line aa.....	Line JJ + Line KK
Interim rate .....	(Line aa divided by Line a)
Gains or losses after Oct. 17, 2000 .....	Line L
Taxable portion of Line L (Line L x 1/2) .....	Line LL
Total Line b (note 2) .....	Line a + Line L
Line bb.....	Line aa + Line LL
Line M.....	Line bb divided by Line b

**Note 1: If either line J or K is positive**, and the other is negative, enter the difference (gain or loss) on line a. In this case there is no need to calculate an interim inclusion rate. The interim inclusion rate will be the inclusion rate applicable to the period from which the larger amount originates. Calculate the net gain or net loss, and enter this amount on line aa, by multiplying line a by the interim inclusion rate. In this case, it will not be necessary to calculate amounts on lines JJ and KK. Otherwise, add lines J and K for the amount on line a, and lines JJ and KK for the amount on line aa. The interim inclusion rate is then line aa divided by line a.

**Note 2: If either line a or L is positive**, and the other is negative, enter the difference (gain or loss) on line b. In this case, there is no need to calculate the inclusion rate on line M, which will be the inclusion rate applicable to the period from which the larger amount originates. This could be the rate referred to at the end of the paragraph above. It will also not be necessary to calculate amounts on lines LL or bb. Otherwise, add lines a and L for the amount on line b, and lines aa and LL for the amount on line bb.

The inclusion rate for the year is on line M, and calculated by dividing line bb by line b.

**Lines 082 to 094: Allowable Business Investment Loss**

Generally a business investment loss arises when a capital loss results from:

- arm's length disposition of the shares of a small business corporation,
- arm's length disposition of the debt owing by a small business corporation to the taxpayer corporation, or
- deemed disposition of debt on the bankruptcy of a corporation owing a debt to the taxpayer corporation or the deemed disposition of shares held in the bankrupt corporation by the taxpayer corporation.

A small business corporation is a Canadian-controlled private corporation that uses all of its assets principally in an active business carried on primarily in Canada or consists of shares

*SCHEDULE 18: Dispositions of Capital Property (cont'd)*

or indebtedness of another small business corporation with which it is connected (or a combination of the two).

The allowable business investment loss is calculated on line 094 by multiplying the sum of the losses reported in Column D by the inclusion rate for the year in which the losses were incurred. The inclusion rate is the same rate described above under the heading "Inclusion Rates".

**The amount reported on line 094 is included in line 040 of Schedule 12, "Income/Loss Reconciliation".**

## **SCHEDULE 20: Charitable Donations and Gifts Deduction**

Schedule 20 must be completed if the charitable donations carry forward from the end of the preceding taxation year or the current year's claim differs for Alberta from that reported federally. Charitable donation and gift deduction follow the federal rules.

### **Lines 002 to 018: Area A – Charitable Donations**

Report in Area A gifts to Canada or a province made on, or after, February 19, 1997. Report gifts to Canada or a province made before February 19, 1997 on lines 062 to 078.

Charitable donations reported in this area do **not include** gifts of certified cultural property and/or certified ecologically sensitive land that should be reported on lines 062 to 078.

#### **Line 002**

Line 002 is the beginning balance from the previous year's closing Schedule 20 balance.

#### **Line 004:**

Enter on line 004 expired charitable donations. Charitable donations may be claimed as a deduction in the year made and in any of the five succeeding taxation years.

#### **Line 008:**

Enter on line 008 any donations transferred to the corporation on the windup of a subsidiary or amalgamation under subsections 88(1) and 87(1), respectively, of the federal Act.

#### **Line 013:**

Enter on line 013 any donations no longer available for deduction as a result of an acquisition of control occurring after March 22, 2004 - gifts made before the acquisition of control by the particular corporation are generally not deductible by any corporation calculating its taxable income for taxation years ending on, or after, the acquisition of control.

#### **Line 016:**

Enter on line 016 an amount **not exceeding** the lesser of:

- the total donations available on line 014;
- the maximum deduction allowable as calculated on line 048; and
- the Alberta net income for tax purposes on line 054 of Schedule 12, "Income/Loss Reconciliation".

Carry forward the amount reported on line 016 to **line 056 of Schedule 12**.

### **Area B: Maximum Deduction Calculation (Lines 30 to 048)**

The maximum deduction calculation came into effect for taxation years beginning after 1996. Under this calculation, the maximum allowable deduction for charitable donations is limited to the total of:

**SCHEDULE 20: Charitable Donations and Gifts Deduction (cont'd)**

- 75 per cent of Alberta's net income for tax purposes; **plus**
- 25 per cent of the taxable capital gains and recapture on the donation of such gifts.

**Lines 062 to 078: Other Gifts**

Report here gifts to Canada or a province made before February 19, 1997 and gifts of certified cultural property and/or certified ecologically-sensitive land.

**Line 062:**

Line 062 is the beginning balance from the previous year's closing Schedule 20 balance.

**Line 064:**

Enter expired gifts on line 064. Gifts may be claimed as a deduction in the year made and in any of the five succeeding taxation years.

**Line 068:**

Enter on line 068 any gifts transferred to the corporation on the windup of a subsidiary or amalgamation under subsections 88(1) and 87(1), respectively, of the federal Act.

**Line 073:**

Enter on line 073 any gifts no longer available for deduction as a result of an acquisition of control occurring after March 22, 2004 - gifts made before the acquisition of control by the particular corporation are generally not deductible by any corporation calculating its taxable income for taxation years ending on, or after, the acquisition of control.

**Line 076:**

Report the deduction claimed on line 076 and then carry forward to line 058 of Schedule 12, "Income/Loss Reconciliation".



## **SCHEDULE 21: Calculation of Current-year Loss and Continuity of Losses**

Schedule 21 must be completed if the balance carried forward from the preceding taxation year, or the current year loss application for any of the following losses, differs for Alberta from those reported federally:

- non-capital,
- capital,
- farm,
- restricted farm,
- listed personal property, or
- limited partnership losses.

The calculation of these losses and their corresponding account balances generally follow the federal rules.

### **Lines 001 to 021: Calculation of Current Year Non-Capital Loss**

#### **Line 003:**

Enter on line 003 net capital losses from previous years to be applied in this year's income to reduce taxable capital gains.

#### **Line 005:**

Enter on line 005 taxable dividends received that are deductible under section 112 or 113 or subsection 138(6) of the federal Act.

#### **Line 007:**

Enter on line 007 the amount determined when the appropriate multiplication factor set out in paragraph 110(1)(k) of the federal Act is multiplied by the Part VI.1 tax paid in the year on taxable preferred dividends.

#### **Line 011:**

Enter on line 011 the amount deductible as prospector's and grubstaker's shares. This amount will be half the value of any shares received from a corporation on disposition of a mining property or interest in the property, except if the amount is exempt from tax in Canada by a Canadian tax treaty.

#### **Line 017:**

Enter on line 017 any amounts added to taxable income under section 110.5 or subparagraph 115(1)(a)(vii) of the federal Act to use foreign tax credits that could not otherwise be deducted. Carry forward this amount to **line 082 of Schedule 12, "Income/Loss Reconciliation"**.

#### **Line 019:**

Enter on 019 the current year's farm loss. This is the lesser of the:

- net loss from farming or fishing for the year; and

*SCHEDULE 21: Calculation of Current-year Loss and Continuity of Losses (cont'd)*

- non-capital loss calculated before deducting the farm loss.

**Line 021:**

Carry forward the amount of the current year's non-capital loss on line 021 to line 037 of Schedule 21.

**Lines 031 to 049: Continuity of Non-Capital Losses**

**Line 031:**

Line 031 is the beginning balance from the previous year's closing Schedule 21 balance.

**Line 032:**

Non-capital losses from taxation years ending on, or before, March 22, 2004 may be carried forward seven years. Non-capital losses arising from taxation years ending after March 22, 2004 may be carried forward 10 years.

Enter on line 032 the non-capital loss expired.

**Line 035:**

Enter on line 035 the non-capital losses transferred on an amalgamation or windup of a subsidiary corporation under subsections 87(1) and 88(1), respectively, of the federal Act.

**Line 041:**

Enter the amount of non-capital loss applied against the current year's taxable income. **Carry this amount forward to line 064 on Schedule 12, "Income/Loss Reconciliation".**

**Line 043:**

Enter on line 043 the amount of debt forgiveness that, under section 80 of the federal Act, reduces the non-capital losses balance. (Losses must be reduced in the order established by section 80.)

**Line 045:**

Enter on line 045 any adjustments to the balance for non-capital losses. Such adjustments would be necessary, for example, by a corporation that had undergone a change of control and whose accrued losses before the change of control were no longer deductible. (See subsection 111(5) of the federal Act.)

**Line 047:**

On line 047, enter the total non-capital losses being carried back to prior years. Non-capital losses may be carried back three years. **If losses are being carried back, Schedule 10, "Loss Carry-back Application", must also be completed.**

*SCHEDULE 21: Calculation of Current-year Loss and Continuity of Losses (cont'd)*

**Lines 051 to 069: Continuity of Capital Losses**

**Line 051:**

Line 051 is the beginning balance from the previous year's closing Schedule 21 balance.

**Line 055:**

Enter on line 055 any capital losses transferred to the corporation on the windup of a subsidiary or amalgamation under subsections 88(1) and 87(1), respectively, of the federal Act.

**Line 059:**

Allowable business investment losses from taxation years ending on or before March 22, 2004 may be carried forward seven years. Allowable business investment losses from taxation years ending after March 22, 2004 may be carried forward 10 years

Enter on line 059, as a capital loss, the amount obtained when four-thirds is multiplied by an expired allowable business investment loss.

**Line 061:**

Enter on line 061 the capital loss to be applied to the current year's capital gain.

Carry forward to line 066 on **Schedule 12, "Income/Loss Reconciliation"**, the allowable portion of the capital loss reported on line 061. The allowable portion is equal to the capital loss on line 061 multiplied by the current year's inclusion rate as determined on Schedule 18. See more information about Schedule 18 inclusion rates for the 1998 and subsequent taxation years, under the heading "Inclusion Rates".

**Line 063:**

Enter on line 063 the amount of debt forgiveness that, under section 80 of the federal Act, reduces the capital losses balance. (Losses must be reduced in the order established by section 80).

**Line 065:**

Enter on line 065 any adjustments to the balance for capital losses. Such adjustments would be necessary, for example, by a corporation that had undergone a change of control and whose accrued losses before the change of control were no longer deductible. (See subsection 111(4) of the federal Act.)

**Line 067:**

Enter on line 067 the total capital losses being carried back to prior years. Capital losses may be carried back three years. **If losses are being carried back, Schedule 10, "Loss Carry-back Application", must also be completed.**

*SCHEDULE 21: Calculation of Current-year Loss and Continuity of Losses (cont'd)*

**Lines 071 to 087: Continuity of Farm Losses**

**Line 071:**

Line 071 is the beginning balance from the previous year's closing Schedule 21 balance.

**Line 072:**

Farm losses may be carried forward 10 years. Enter on line 072 the farm loss expired.

**Line 075:**

Enter on line 075 any farm losses transferred to the corporation on the windup of a subsidiary or amalgamation under subsections 88(1) and 87(1), respectively, of the federal Act.

**Line 079:**

Enter on line 079 the farm loss to be applied against the current year's taxable income. **This amount must be carried forward to line 070 of Schedule 12, "Income/Loss Reconciliation".**

**Line 081:**

Enter on line 081 the amount of debt forgiveness that, under section 80 of the federal Act, reduces the farm losses. (Losses must be reduced in the order established by section 80).

**Line 083:**

Enter on line 083 any adjustments to the balance for farm losses. Such adjustments would be necessary, for example, by a corporation that had undergone a change of control and whose accrued losses before the change of control were no longer deductible. (See subsection 111(5) of the federal Act.)

**Line 085:**

Enter on line 085 the total farm losses being carried back to prior years. Farm losses may be carried back three years. **If losses are being carried back, Schedule 10, "Loss Carry-back Application", must also be completed.**

**Lines 091 to 107: Continuity of Restricted Farm Losses**

**Line 091:**

Line 091 is the beginning balance from the previous year's closing Schedule 21 balance.

**Line 092:**

Restricted farm losses may be carried forward 10 years before they expire. Enter on line 092 the expired restricted farm loss.

*SCHEDULE 21: Calculation of Current-year Loss and Continuity of Losses (cont'd)*

**Line 095:**

Enter on line 095 any restricted farm losses transferred to the corporation on the windup of a subsidiary or amalgamation under subsections 88(1) and 87(1), respectively, of the federal Act.

**Line 099:**

Restricted farm losses can only be applied against farming income. Enter on line 099 the restricted farm loss to be applied against the current year's farming income. **Carry forward this amount to line 068 on Schedule 12.**

**Line 101:**

Enter on line 101 the amount of debt forgiveness that, under section 80 of the federal Act, reduces the restricted farm losses. (Losses must be reduced in the order established by section 80).

**Line 103:**

Enter on line 103 any adjustments to the balance for restricted farm losses. Such adjustments would be necessary, for example, by a corporation that had undergone a change of control and whose accrued losses before the change of control were no longer deductible. (See subsection 111(5) of the federal Act.)

**Line 105:**

Enter on line 105 the total restricted farm losses being carried back to prior years. Restricted farm losses may be carried back three years. **If losses are being carried back, Schedule 10, "Loss Carry-back Application", must also be completed.**

**Lines 111 to 125: Continuity of Listed Personal Property Losses**

**Line 111:**

Line 111 is the beginning balance from the previous year's closing Schedule 21 balance.

**Line 113:**

Listed personal property losses may be carried forward seven years. Enter on line 113 the listed expired personal property loss.

**Line 119:**

Listed personal property losses can only be applied against listed personal property gains.

The amount entered on line 119 is the listed personal property losses to be applied against the current year's gains for listed personal property. If a Schedule 18 exists, enter on line 119 the amount from line 060. If not, enter on line 119 the amount from line 655 of federal Schedule 6.

*SCHEDULE 21: Calculation of Current-year Loss and Continuity of Losses (cont'd)*

**Line 121:**

Enter on line 121 any adjustments to the balance for listed personal property losses. Such adjustments would be necessary, for example, by a corporation that had undergone a change of control and whose accrued losses before the change of control were no longer deductible. (See subsection 111(4) of the federal Act.)

**Line 123:**

Enter on line 123 the total listed personal property losses being carried back to prior years. Listed personal property losses can be carried back three years. **If losses are being carried back, Schedule 10, "Loss Carry-back Application", must also be completed.**

**Columns 131 to 141: Continuity of Limited Partnership Losses**

Limited partnership losses cannot be carried back to prior taxation years; however, they can be carried forward indefinitely into future taxation years.

**Column 131:**

Enter in column 131 the partnership identification number for all partnerships in which the corporation has limited partnership losses to report.

**Column 133:**

Column 133 is the beginning balance from the previous year's closing Schedule 21 balance.

**Column 135:**

Enter on line 135 any limited partnership losses transferred to the corporation on the windup of a subsidiary or amalgamation under subsections 88(1) and 87(1), respectively, of the federal Act.

**Column 139:**

Enter in column 139 the limited partnership losses to be applied in the current year.

For each limited partnership of which the corporation is a partner, the limited partnership loss that may be applied in the current year **cannot exceed**:

- the corporation's at-risk amount in that partnership; **minus**
- the total of the corporation's share of that partnership's investment tax credit, business or property losses, and resource expenses.

**The sum of the limited partnership losses in column 139 to be applied against income must be carried forward to line 072 of Schedule 12, "Income/Loss Reconciliation".**

## **FILING OF ALBERTA ELECTION FORMS ON TRANSFERS OF PROPERTY** **(FORMS [AT107](#), [AT108](#) AND [AT109](#))**

For transfers of property made after May 30, 2001, subsections 85(1), 85(2) and 97(2) of the federal Act **apply for purposes of the Act only if** a valid federal election has been made under the federal Act. If so, then the amounts elected under the federal Act are deemed to apply for purposes of the Act. **As described below, an Alberta election form must be filed only when the parties have elected amounts for Alberta different from amounts elected under the federal Act.**

### **Only Qualified Parties May Elect Different Alberta Amounts**

Where both the party acquiring and the party disposing of the property are qualified parties, they may jointly elect an amount for purposes of the Act different from the amount elected under the federal Act.

A corporation is a qualified party if its Alberta allocation factor (see Schedule 2, "Allocation of Income") for the taxation year is at least 90 per cent. A partnership is a qualified party if it would have an Alberta allocation factor for the taxation year of at least 90 per cent, if treated as a corporation having a taxation year corresponding to its fiscal period.

To qualify, both the party disposing of, and the party acquiring, the property must be qualified parties for the taxation year or fiscal period in which the transaction occurred. In addition, the party acquiring the property must continue to be a qualified party for all its taxation years or fiscal periods beginning in the 36 months following the end of the taxation year or fiscal period in which the transaction occurred.

The qualified parties may jointly elect one of the following amounts to be the proceeds of disposition of the property to the party disposing of it and the cost of the property to the party acquiring it:

- a) the amount deemed to be the proceeds of disposition and the cost of the property under the federal Act;
- b) the amount equal to the amount in (a) **less** the cost amount of the property for the purposes of the calculation of income under the federal Act **plus** the cost amount of the property for the purposes of the calculation of income under the Act, both determined immediately before the disposition; or
- c) any amount in the range between the lower and upper boundaries of a) and b).

### **Filing of Alberta Election Forms AT107, AT108 and AT109**

Where the parties elect an amount different from the federal amount, the applicable Alberta election form must be filed by the party acquiring the property:

- [AT107](#) – Alberta Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation,
- [AT108](#) – Alberta Election on Disposition of Property by a Partnership to a Taxable Canadian Corporation,

### *Filing of Alberta Election Forms AT107, AT108 and AT109 (cont'd)*

- [AT109](#) – Alberta Election on Disposition of Property by a Taxpayer to a Canadian Partnership.

If the party is a corporation, Alberta election form AT107 or AT108 must be filed by the time the corporation's Alberta corporate income tax return is due for the last taxation year beginning in the 36-month period after the end of the taxation year in which the corporation acquired the property.

If the party is a partnership, all members of the partnership must file Alberta election form AT109 by the time the Alberta corporate income tax return **is first due** for a corporate member of the partnership for the member's taxation year that includes the last fiscal period of the partnership beginning in the 36-month period after the end of the fiscal period in which the partnership acquired the property.

**Unlike federal elections, no late-filed Alberta elections are permitted.**

See Information Circular [CT-2, "Filing Requirements"](#), for more information about Alberta elections.

#### **Go to:**

- [AT1 Guide, Part 1](#) – Schedules 1 to 11
- [Appendix A](#) – Standard Industrial Classification Codes
- [Appendix B](#) – Listing of Provincial, State and Country Codes
- [AT1 Form](#)
- [Corporate Tax Publications](#)
- [Corporate Tax Forms](#)