

BILL

No. 36 of 2006-07

An Act to amend *The Income Tax Act, 2000*

(Assented to)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows:

Short title

1 This Act may be cited as *The Income Tax Amendment Act, 2006 (No. 2)*.

S.S. 2000, c.I-2.01 amended

2 *The Income Tax Act, 2000* is amended in the manner set forth in this Act.

New section 32

3 **Section 32 is repealed and the following substituted:**

“Dividend credit

32 There may be deducted from the tax otherwise payable pursuant to this Act for a taxation year by an individual resident in Saskatchewan on the last day of the taxation year a dividend credit equal to:

- (a) for the 2001, 2002, 2003, 2004 and 2005 taxation years, 40% of any amount required by paragraph 82(1)(b) of the federal Act to be included in computing the individual’s income for the year;
- (b) for the 2006 taxation year, the total of:
 - (i) 40% of any amount required by subparagraph 82(1)(b)(i) of the federal Act to be included in computing the individual’s income for the year; and
 - (ii) 35.44% of any amount required by subparagraph 82(1)(b)(ii) of the federal Act to be included in computing the individual’s income for the year; and
- (c) for the 2007 taxation year and subsequent taxation years, the total of:
 - (i) 30% of any amount required by subparagraph 82(1)(b)(i) of the federal Act to be included in computing the individual’s income for the year; and
 - (ii) 35.44% of any amount required by subparagraph 82(1)(b)(ii) of the federal Act to be included in computing the individual’s income for the year”.

Section 38 amended

4 **Subsection 38(4) is amended by adding “or after June 30, 2006” after “July 1, 1998”.**

Section 56 amended**5 Subsection 56(2) is amended:**

- (a) by striking out “and” after clause (c); and
- (b) by repealing clause (d) and substituting the following:

“(d) 5% for the period commencing on January 1, 2005 and ending on December 31, 2006; and

“(e) 4.5% for the period commencing on January 1, 2007”.

Section 56.5 amended**6 Subclauses 56.5(b)(vi), (vii) and (viii) are repealed and the following substituted:**

“(vi) for the period commencing on July 1, 2006 and ending on December 31, 2006, 4/3 of the amount otherwise determined to be the corporation’s business limit for the purposes of paragraph 125(1)(c) of the federal Act;

“(vii) for the period commencing on January 1, 2007 and ending on June 30, 2007, 100% of the amount otherwise determined to be the corporation’s business limit for the purposes of paragraph 125(1)(c) of the federal Act;

“(viii) for the period commencing on July 1, 2007 and ending on June 30, 2008, 9/8 of the amount otherwise determined to be the corporation’s business limit for the purposes of paragraph 125(1)(c) of the federal Act; and

“(ix) for the period commencing on July 1, 2008, 125% of the amount otherwise determined to be the corporation’s business limit for the purposes of paragraph 125(1)(c) of the federal Act”.

Section 60.1 amended**7(1) Subsection 60.1(4) is repealed and the following substituted:**

“(4) A corporation’s investment tax credit for a taxation year is the amount ITCMP calculated in accordance with the formula:

$$\text{ITCMP} = \text{CC}_1 + \text{CC}_2 + \text{OA}$$

where:

CC_1 , with respect to qualified property acquired by the corporation on or before October 27, 2006, is 7% of the sum of all amounts, each of which is the capital cost to the corporation of qualified property acquired by it in the taxation year, determined without reference to subsection 13(7.1) of the federal Act;

CC_2 , with respect to qualified property acquired by the corporation after October 27, 2006, is 5% of the sum of all amounts, each of which is the capital cost to the corporation of qualified property acquired by it in the taxation year, determined without reference to subsection 13(7.1) of the federal Act; and

OA is the sum of all amounts, each of which is an amount required by subsection (5) or (7) to be added in computing the corporation’s investment tax credit for the taxation year”.

- (2) **Subsection 60.1(5) is amended:**
- (a) **by striking out “amount that” and substituting “amounts that”; and**
 - (b) **by striking out “amount CC” and substituting “amounts CC₁ and CC₂”.**
- (3) **Subsection 60.1(7) is amended:**
- (a) **by striking out “amount that” and substituting “amounts that”; and**
 - (b) **by striking out “amount CC” and substituting “amounts CC₁ and CC₂”.**

Section 61.1 amended

8(1) Subsection 61.1(3) is amended by adding “ITCUE₁ and ITCUE₂” after “total of the amounts”.

- (2) **Subsections 61.1(4) and (5) are repealed and the following substituted:**

“(4) Where a corporation has acquired in Saskatchewan, or brought into Saskatchewan, qualified property in a taxation year, resulting in the corporation being subject to and paying tax pursuant to *The Provincial Sales Tax Act* computed on the value of the qualified property, other than tax payable pursuant to subsection 5(9.1) of that Act, the amount to be determined pursuant to this subsection that may be allowed to the corporation for the taxation year pursuant to subsection (3) is the amount ITCUE₁ determined in accordance with the following formula:

$$\text{ITCUE}_1 = \text{PST} + E_1 + E_2$$

where:

PST is, subject to clauses (9)(a) and (11)(a), the tax paid by the corporation pursuant to *The Provincial Sales Tax Act* computed on the value of the qualified property, other than tax payable pursuant to subsection 5(9.1) of that Act;

E₁, with respect to qualified property acquired in Saskatchewan, or brought into Saskatchewan, by the corporation on or before October 27, 2006, is, subject to clauses (9)(b) and (11)(b), 7% of the sum of all amounts, each of which:

- (a) is an expenditure incurred by the corporation in the taxation year to install the qualified property or otherwise make it initially available for use in Saskatchewan, other than amounts included in the value of the qualified property on which tax was computed pursuant to *The Provincial Sales Tax Act*; and
- (b) forms part of the capital cost to the corporation of the qualified property, determined without reference to subsection 13(7.1) of the federal Act; and

E₂, with respect to qualified property acquired in Saskatchewan, or brought into Saskatchewan, by the corporation after October 27, 2006, is, subject to clauses (9)(b) and (11)(b), 5% of the sum of all amounts, each of which:

(a) is an expenditure incurred by the corporation in the taxation year to install the qualified property or otherwise make it initially available for use in Saskatchewan, other than amounts included in the value of the qualified property on which tax was computed pursuant to *The Provincial Sales Tax Act*; and

(b) forms part of the capital cost to the corporation of the qualified property, determined without reference to subsection 13(7.1) of the federal Act.

“(5) Where a corporation has acquired in Saskatchewan, or brought into Saskatchewan, qualified property pursuant to a capital lease and pays tax payable pursuant to *The Provincial Sales Tax Act* computed on the basis of the rent payable pursuant to the capital lease rather than computed on the value of the qualified property:

(a) subject to clauses (9)(c) and (11)(c), the amount to be determined pursuant to this subsection that may be allowed to the corporation for the taxation year pursuant to subsection (3) is the amount $ITCUE_2$ determined in accordance with the following formula:

$$ITCUE_2 = R_1 + R_2$$

where:

R_1 , with respect to the tax payable pursuant to *The Provincial Sales Tax Act* on or before October 27, 2006, is 1.07 times the sum of all amounts, each of which:

(i) is tax payable pursuant to *The Provincial Sales Tax Act* computed on the basis of the rent payable pursuant to the capital lease; and

(ii) is paid during the taxation year by the corporation; and

R_2 , with respect to the tax payable pursuant to *The Provincial Sales Tax Act* after October 27, 2006, is 1.05 times the sum of all amounts, each of which:

(i) is tax payable pursuant to *The Provincial Sales Tax Act* computed on the basis of the rent payable pursuant to the capital lease; and

(ii) is paid during the taxation year by the corporation; and

(b) an amount determined in accordance with clause (a) may be allowed to the corporation pursuant to subsection (3) for each taxation year in which the corporation continues to lease the qualified property”.

(3) Subsection 61.1(9) is amended:

(a) in clause (a):

(i) by striking out “the amount pursuant to clause (4)(a)” and substituting “the amount PST as defined in subsection (4)”; and

(ii) by striking out “mentioned in clause (4)(a)” and substituting “mentioned in the definition of the amount PST in subsection (4)”; and

(b) in clause (b):

(i) by striking out “the respective amounts pursuant to clause (4)(b)” **and substituting** “the respective amounts E_1 and E_2 as defined in subsection (4)”; **and**

(ii) by striking out “the respective amounts that would be determined pursuant to clause (4)(b)” **and substituting** “the respective amounts E_1 and E_2 that would be determined pursuant to subsection (4)”.

(4) Subsection 61.1(11) is amended:**(a) in clause (a):**

(i) by striking out “the amount pursuant to clause (4)(a)” **and substituting** “the amount PST as defined in subsection (4)”; **and**

(ii) by striking out “mentioned in clause (4)(a)” **and substituting** “mentioned in the definition of the amount PST in subsection (4)”; **and**

(b) in clause (b):

(i) by striking out “the respective amounts pursuant to clause (4)(b)” **and substituting** “the respective amounts E_1 and E_2 as defined in subsection (4)”; **and**

(ii) by striking out “the respective amounts that would be determined pursuant to clause (4)(b)” **and substituting** “the respective amounts E_1 and E_2 that would be determined pursuant to subsection (4)”.

Coming into force

9(1) Subject to subsections (2) to (5), this Act comes into force on assent.

(2) Section 3 of this Act comes into force on assent but is retroactive and is deemed to have been in force on and from January 1, 2006.

(3) Section 4 of this Act comes into force on assent but is retroactive and is deemed to have been in force on and from July 1, 2006.

(4) Sections 5 and 6 of this Act come into force on January 1, 2007.

(5) Sections 7 and 8 of this Act come into force on assent but are retroactive and are deemed to have been in force on and from October 28, 2006.

THIRD SESSION
Twenty-fifth Legislature
SASKATCHEWAN

B I L L

No. 36 of 2006-07

An Act to amend *The Income Tax Act, 2000*

Received and read the

First time

Second time

Third time

And passed

Honourable Andrew Thomson
