

## 2007 in Review



The Legislature at night during the Christmas season  
-photo by Corinne Carlson-



At the start of each new year, it's always a good idea to look back at what has been achieved in the previous year and what remains to be done. When we look back, we realize Tax and Revenue Administration (TRA) has had a busy 2007. In a publication this size, however, there's room to mention only a few of the most notable successes.

The long-awaited new *Fuel Tax Act* brought together the legislative fragments that were appended to it since the 1980s and updated others. The new Regulation clarified the processes.

TRA met with a number of stakeholder groups to present the new Act and Regulation and obtain input on the processes. We are still

fine-tuning some of the technical issues around implementation, but overall the transition has been successful. We now have a clean new Act and Regulation that we believe will make it easier for fuel taxpayers and claimants to understand their obligations and comply with the legislation.

Another important initiative this year has been the *Fairness and Service Pledge* TRA drafted to let you, our stakeholders, know the level of service you can expect from us and what we, in turn, need from you to provide that service. More information about the pledge and how to provide us with your input appear later in this edition. We will appreciate your comments and ideas.

I'd like to take a moment to thank all of you who worked with us in the past year and invite you to continue to share your ideas with us in the new year.

Jane Clerk, Assistant Deputy Minister – Tax and Revenue Administration

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### TAX AND REVENUE ADMINISTRATION

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## SEEKING STAKEHOLDER INPUT: **TRA FAIRNESS AND SERVICE PLEDGE**

Alberta Finance provides corporate financial services and manages the province's financial affairs and policies in the interests of Albertans, while living the Alberta Service values of **Respect, Accountability, Integrity, and Excellence.**

We believe that while taxpayers have obligations, they should be treated fairly and have the information and other services they need to meet their tax obligations. To guide our interactions, we have drafted a [Fairness and Service Pledge](#). The Pledge sets out the way we will conduct ourselves when dealing with you and, in turn, clarifies your obligations.

Because Albertans benefit most when government and citizens work together, we are asking you to review the draft Pledge and provide us with your input. Are there important points we've missed? Does anything need changing? Are there taxpayer responsibilities that should be made clearer?

[Email](#), fax (780) 422-0899, or mail your comments to us at  
Tax Services (Pledge Input)  
Tax and Revenue Administration  
Alberta Finance  
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## **OBJECTIONS**

Effective September 1, 2007, a large corporation, as defined by section 225.1(8) of the *Income Tax Act*, Canada, that objects to an Alberta assessment is required to file a notice of objection with Alberta Finance, Tax and Revenue Administration (TRA). For more information, see the Special Notice [Vol. 5 No. 22 - Filing of Alberta Notices of Objection for Large Corporations](#).

## **Marked Fuel Use Reminder**

Using marked fuel in unlicensed equipment is a requirement. If clear fuel is consumed in unlicensed equipment a rebate will only be available if marked fuel was not reasonably available, the entity had a valid TEFU number, and there is documentation to support the assertion that marked fuel was not available at the time of each purchase.

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## INNOVATION: Lost Property Registry

Lost track of property you once owned? Had property that was not disposed of when your corporation was dissolved? Now you will have a chance to “find” it again.

Bill 23, the *Unclaimed Personal Property and Vested Property Act*, was passed by the Legislature in December 2007. The act deals with personal property presumed to be abandoned within periods prescribed by Regulation. Property vested in the Crown under the *Business Corporations Act* or *Cooperatives Act* – property not disposed of at the date of dissolution of a corporation, society or cooperative – is also included.

Alberta Finance, Tax and Revenue Administration (TRA) will develop a registry to reunite rightful owners with their “lost” property. Search and claim processes will be established to facilitate the return of property to applicants who can establish their ownership of items held in inventory.

Numerous consultation sessions were held with stakeholders as legislation was developed. Later, extensive communication will be undertaken to advise holders and owners of their responsibilities and opportunities. Regulations to accompany the Act are near finalization, and proclamation is expected to be in mid-2008.

Based on this target implementation date, holders will submit their first unclaimed property reports in early 2009. Once the Act has been proclaimed, owners will be able to make on-line enquiries on the Finance website about unclaimed property.

Watch future editions of *Tax Notes* for developments.



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## **DRATS** *Dispute Resolution, Analysis, and Tracking System*

DRATS went into operation with minimal technical difficulties in mid-August. The new system is expected to assist Tax Services to track information as it is received. It is now being updated with the total current inventory of objections and appeals.

Roll-out of DRATS was timed to coincide with the new requirement for large corporations to file notices of objection with the Province of Alberta along with their federal objections. DRATS will enable the Objections and Appeals unit to track objections and appeals and facilitate their resolution.

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## FUEL TAX

# CHANGES TO PROP

As part of the continuing process of improving the administration of rebate programs, we are updating and amending the Prescribed Rebate Off-Road Percentages (PROP) enrolment forms and Information Circular.

The forms to be updated include:

- AT341 – Prescribed Rebate Off-Road Percentage (PROP) Enrolment Application,
- AT4747 – Prescribed Rebate Off-Road Percentage (PROP) Schedule 1,
- AT4748 – Prescribed Rebate Off-Road Percentage (PROP) Schedule 2, and
- AT4750 – PROP Vehicle Enrolment Agreement.

Major changes to the enrolment forms are the requirement that

- the method of fuel tracking be disclosed,
- the geographic locations of operations be disclosed, and more detailed information provided to identify vehicles enrolled under PROP.

Information Circular PROP-1, "Prescribed Rebate Off-road Percentages", is also being updated to reflect the new provisions under the Fuel Tax Act (SA 2006 Chapter F-28.1) and Fuel Tax Regulation (AR 62/2007). The updates will clarify the documentation required for fuel tracking, update the support unit definition, and explain the difference between a post payment review and audit.

The new forms and Information Circular will be available on our website early in the new year.

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## AGGRESSIVE TAX PLANNING Audit Team Achieving Successes

Alberta's corporate and commodity taxes contribute to the quality of life enjoyed by all Albertans. However, tax avoidance schemes reduce the tax revenues that support programs. Recently, Alberta Finance, Tax and Revenue Administration's Audit Branch established a team to address schemes for avoiding payment of taxes.

In a relatively short period of time, the aggressive tax planning team has achieved a number of successes. They have

- made significant progress on settling a number of "compliant" cases, allowing TRA to focus audit resources on non-compliant taxpayers.
- established a strong technical position and/or a General Anti-Avoidance (GAAR) position on the deductibility of interest in certain schemes.
- suggested legislative changes to provide better access to business records and decrease opportunities for tax avoidance schemes to go undetected.

Tax data is being used to identify new issues and to profile other taxpayers to determine if they are avoiding Alberta tax using the same or similar schemes. A number of productive leads have been identified and are being audited.

The aggressive tax planning team consists of a group of highly trained auditors in our Edmonton and Calgary offices who address schemes involving interprovincial tax avoidance. The team receives weekly advice from a dedicated Alberta Justice lawyer.

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Senior Alberta team members meet regularly with colleagues from Quebec Revenue, Ontario Revenue and the Canada Revenue Agency (CRA). This partnership has increased efficiencies at all audit levels.

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## LEGISLATION UPDATES

# FALL 2007 LEGISLATION UPDATE

The following Acts administered by Tax and Revenue Administration (TRA) were passed in the Legislature's fall session and received Royal Assent on December 7, 2007:

The **Tourism Levy Amendment Act, 2007 (Bill 9)** – revises the late filing penalty, expands the work camp exemption to independent contractors, provides a mechanism for overpaid levy to be returned to purchasers and addresses other administrative issues. For more information, see [Special Notice Vol. 7 No. 4](#).

The **Unclaimed Personal Property and Vested Property Act (Bill 23)** – establishes an Alberta repository for unclaimed property and creates clear procedures for managing vested property. This bill will remain unproclaimed until Regulations are approved and supporting procedures, forms and information publications are in place.

The **Alberta Corporate Tax Amendment Act, 2007 (Bill 36)** – ends the Alberta Royalty Tax Credit program and amends the small business deduction, general anti-avoidance rules and other administrative matters. See [Special Notice Vol. 5 No. 24](#).

The **Tobacco Tax Amendment Act, 2007 (Bill 37)** – incorporates the tobacco tax increase announced in the 2007 Alberta Budget and other administrative changes. See [Special Notice Vol. 3 No. 10](#).

Copies of the Bills can be found on the [Legislative Assembly's website](#).

-photo by Corinne Carlson-

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## YOU ASKED US

# DIFFERENCES BETWEEN ALBERTA AND FEDERAL APPROACHES TO TAXES

### Alberta

You don't need to file an Alberta return if your business meets the following eight exemption criteria:

1. Canadian-controlled private corporation throughout the taxation year;
2. permanent establishments only in Alberta throughout the taxation year;
3. filed and reported no taxable income before applying losses carried back from a subsequent year and before deducting any amount relating to exercise of an option in a subsequent year;
4. not claiming the Alberta Royalty Tax Credit or in receipt of Royalty Tax Credit Installments for the taxation year;
5. no amounts to report on Schedule 5, Royalty Tax Deduction;
6. discretionary tax account balances (e.g., undepreciated capital cost, reserves, losses) throughout the year are the same for Alberta as for federal purposes. In other words, the corporation has historically reported the same taxable incomes or losses for Alberta purposes as it reported for federal purposes;
7. gross revenue for the year does not exceed \$500,000; and
8. not claiming a refund of tax installments.

Alberta does not process a loss carry-back unless requested by the corporation – even if you have requested a loss carry-back federally. This request must be made via the AT1: Schedule 10.

Items such as CCA, CEC, etc are considered “discretionary items”. Alberta allows corporations to claim discretionary items differently from amounts reported federally to take advantage of either Alberta or federal tax incentives or initiatives.



Travel Alberta photo

**Keep track of these discretionary amounts: WE DO!** When claiming discretionary pool balance differences, your corporation must continue to file the applicable schedules every year until the pool balances equal the federal amounts.

**Disclaimer:** This newsletter is intended to keep Tax and Revenue Administration clients informed about corporate and commodity tax-related matters. Tax Notes does **not** replace the legislation or regulations.

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### Federal:

Regardless of the criteria in the previous column, you are required to file a federal T2 return with the Canada Revenue Agency (CRA) each year.

