

# *Q2 2014 Accounting status*



This quarterly update discusses developments related to the accounting for income taxes in Canada. This edition includes:

- **Legislative changes**—April 1, 2014, to June 30, 2014
- **Federal and provincial/territorial bills**—tabled or received royal assent in 2014
- **Corporate income tax rates**—accounting status (January 1, 2011, to June 30, 2014)
- **PwC contacts**

## ***Legislative changes— April 1 to June 30, 2014***

Legislative developments from April 1 to June 30, 2014, that affect income taxes are outlined below.

## ***Provincial/territorial budgets***

The following provinces and territories introduced budgets from April 1 to June 30, 2014. None revise general corporate or manufacturing and processing income tax rates.<sup>1</sup> Visit [www.pwc.com/ca/budget](http://www.pwc.com/ca/budget) for key changes respecting:

- Nova Scotia – No key changes

1. This publication does not cover rates for Canadian-controlled private corporations.

- Nunavut – No key changes
- Ontario – See our *Tax Insights* ‘2014 Ontario budget: Higher taxes for higher earners and some corporations’ (See Table 1, footnote 3.)
- Prince Edward Island – No key changes
- Quebec – See our *Tax Insights* ‘June 2014 Quebec budget – Tax highlights’ and ‘June 2014 Quebec budget’ (Quebec’s June 4, 2014 budget was presented by its new majority government that was elected on April 7, 2014.)

**Status:** As of June 30, 2014, only Ontario had tabled legislation to implement key budget measures, but the bill died. See Table 1 for the status of this and other provincial/territorial budget legislation.

## ***Federal and provincial/territorial bills***

**Table 1** lists key bills that include income tax rate changes or other income tax changes (e.g. for research and development) that were:

- tabled or received royal assent during 2014, or
- tabled before 2014, but did not receive royal assent before 2014

**Table 1: Federal and provincial/territorial bills**

	<b>Legislation</b>		<b>Recognized for accounting purposes</b>	
	<b>Bill #</b>	<b>Bill name</b>	<b>Canada<sup>1</sup></b>	<b>US GAAP</b>
<b>Federal</b>	C-31 <sup>2</sup>	<i>An Act to implement certain provisions of the budget tabled in Parliament on February 11, 2014 and other measures</i>	March 28/14	June 19/14
<b>Alberta</b>	7	<i>Tax Statutes Amendment Act, 2014</i>	April 10/14	April 24/14
<b>British Columbia</b>	8	<i>Budget Measures Implementation Act, 2014</i>	February 18/14	March 24/14
<b>Manitoba</b>	73	<i>The Budget Implementation and Tax Statutes Amendment Act, 2014</i>	June 3/14	June 12/14
<b>New Brunswick</b>	39	<i>An Act to Amend the Small Business Investor Tax Credit Act</i>	February 20/14	May 21/14
	69	<i>An Act to Amend the Small Business Investor Tax Credit Act</i>	April 15/14	May 21/14
<b>Newfoundland and Labrador</b>	13	<i>An Act to Amend the Income Tax Act, 2000</i>	May 26/14	June 5/14
	20	<i>An Act to Amend the Income Tax Act, 2000, No. 2</i>	May 26/14	June 5/14
<b>Ontario</b>	194	<i>An Act to implement Budget measures and to enact and amend various Acts</i>	See footnote (3)	
<b>Quebec</b>	34	<i>An Act giving effect to the Budget Speech delivered on 20 November 2012 and amending various legislative provisions</i>	See footnote (4)	
	59	<i>An Act to amend the Taxation Act, the Act respecting the Quebec sales tax and various legislative provisions</i>	See footnote (4)	
<b>Saskatchewan</b>	135	<i>An Act to amend The Income Tax Act, 2000</i>	April 7/14	May 1/14
<b>Yukon</b>	67	<i>Act to Amend the Income Tax Act</i>	April 1/14	May 8/14

1. For information on when income tax changes are considered substantively enacted for accounting purposes for Canadian GAAP, see the **Appendix** in ‘Q1 2013 Accounting status’ at [www.pwc.com/ca/tmas](http://www.pwc.com/ca/tmas).
2. Federal Bill C-31 (2014 budget bill) implements the measures in a Notice of Ways and Means Motion that was tabled on March 24, 2014, as well as other measures, but does not contain the key 2014 federal budget measures that:

*Shaded rows indicate a change in status from April 1 to June 30, 2014.*

- propose a domestic anti-treaty shopping rule that uses a general approach to identify arrangements representing an improper use of Canada's tax treaties, along with guidance regarding its application
- target certain 'back-to-back' loan arrangements that have been undertaken by taxpayers using an interposed third party to avoid the application of Part XIII withholding tax and/or the thin capitalization rules, by:
  - introducing a specific anti-avoidance rule relating to withholding tax on interest payments, for amounts paid or credited after 2014
  - amending an existing anti-avoidance provision in the thin capitalization rules, for taxation years that begin after 2014
- amend the 'regulated foreign financial institution exception' to the foreign accrual property income (FAPI) regime to ensure the exception does not apply to non-financial institutions, for taxation years beginning after 2014
- clarify that an anti-avoidance rule in the FAPI regime intended to prevent Canadian taxpayers from shifting income from the insurance of Canadian risks offshore applies to certain tax planning arrangements sometimes referred to as 'insurance swaps,' for taxation years beginning after February 10, 2014

For more information, see our *Tax Insights* '2014 Federal budget: More tightening, few tax breaks' at [www.pwc.com/ca/budget](http://www.pwc.com/ca/budget).

3. **Status:** Ontario Bill 194 died on May 2, 2014, when the Ontario legislative assembly was dissolved and the June 12, 2014 election was called. The bill had not been considered substantively enacted for accounting purposes for Canadian GAAP at that time. The former minority government was re-elected with a majority on June 12, 2014. As a result, it is expected that the tax measures in Bill 194 will be reintroduced in a budget to be delivered by Ontario on July 14, 2014.
4. **Status:** Quebec Bills 34 and 59 died on March 5, 2014 when the Quebec legislative assembly was dissolved and the April 7, 2014 election was called. The bills had not been considered substantively enacted for accounting purposes for Canadian GAAP at that time. A new majority government was elected on April 7, 2014, and it is uncertain if the tax measures in Bills 34 and 59 will be reintroduced in the Quebec legislative assembly.

## Corporate income tax rates—accounting status (January 1, 2011, to June 30, 2014)

The following information excludes Canadian-controlled private corporation small business rates and thresholds.

**Table 2: Corporate income tax rates—accounting status**

*There were no changes in status from April 1 to June 30, 2014.*

		Effective date	Rate	Recognized for accounting purposes		Bill #
				Canada	US GAAP	
<b>Federal</b>	General and manufacturing and processing (M&P)	January 1/11	16.5%	Before January 1/11		N/A
		January 1/12	15%			
	Provincial SIFT tax factor/rate <sup>1</sup>	Before January 1/11	Varies <sup>1</sup>			
<b>Alberta</b>	General and M&P	Before January 1/11	10%	Before January 1/11		N/A
<b>British Columbia</b>	General and M&P	January 1/11	10%	Before January 1/11		N/A
		April 1/13	11%	June 27/13	July 25/13	2
<b>Manitoba</b>	General and M&P	Before January 1/11	12%	Before January 1/11		N/A
<b>New Brunswick</b>	General and M&P	Before July 1/11	11%	Before January 1/11		N/A
		July 1/11	10%			
		July 1/12	8%			
			10%	June 7/11	June 10/11	53
		July 1/13	12%	May 22/13	June 21/13	51
<b>Newfoundland and Labrador</b>	General	Before January 1/11	14%	Before January 1/11		N/A
	M&P		5%			
<b>Northwest Territories</b>	General and M&P	Before January 1/11	11.5%	Before January 1/11		N/A
<b>Nova Scotia</b>	General and M&P	Before January 1/11	16%	Before January 1/11		N/A
<b>Nunavut</b>	General and M&P	Before January 1/11	12%	Before January 1/11		N/A
<b>Ontario</b>	General	Before July 1/11	12%	Before January 1/11		N/A
		July 1/11	11.5%			
			11%			
		July 1/12	11.5%	June 20/12		114
		July 1/13	10%	Before January 1/11		N/A
			11.5%	June 20/12		114
	M&P	Before January 1/11	10%	Before January 1/11		N/A
	Corporate Minimum Tax (CMT)		2.7%			
<b>Prince Edward Island</b>	General and M&P	Before January 1/11	16%	Before January 1/11		N/A
<b>Quebec</b>	General and M&P SIFT Distribution Tax	Before January 1/11	11.9%	Before January 1/11		N/A
<b>Saskatchewan</b>	General	Before January 1/11	12%	Before January 1/11		N/A
	M&P		10%			
<b>Yukon</b>	General	Before January 1/11	15%	Before January 1/11		N/A
	M&P		2.5%			

- Except for Quebec, the 'provincial Specified Investment Flow-Through (SIFT) tax rate' is:
  - based on the general provincial corporate income tax rate for each province in which the SIFT has a permanent establishment
  - 10% for SIFTs that do not have a permanent establishment in a province

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## ***Let's talk***

For a deeper discussion of how the accounting status of tax rates and legislation might affect your business, please contact:

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