If you are involved in preparing financial reports for corporations or other organizations, certain 2017 income tax rate and other changes may need to be reflected in your interim financial statements under International Financial Reporting Standards (IFRS), Accounting Standards for Private Enterprises (ASPE) or U.S. generally accepted accounting principles (U.S. GAAP).

When do new tax measures have to be taken into account?
Under IFRS and ASPE, the tax effect of changes in tax law and rates is recognized in the period that includes the date that the changes were substantively enacted. Under U.S. GAAP, tax law and rate changes are recognized in the period that includes the date that the changes were enacted.

This TaxNewsFlash-Canada reflects the related federal and provincial tax legislation substantively enacted but not yet enacted, or enacted after December 31, 2016. For 2016 tax legislation enacted before January 1, 2017, see TaxNewsFlash-Canada 2017-01, “Tax Accounting — 2016 Tax Rates and Other Changes”.

Corporate tax rates for 2017

Although the federal general income tax rate for 2017 has not changed, Saskatchewan and Quebec have both reduced their general corporate income tax rates for 2017.

While the federal small business income tax rate for 2017 also remains unchanged, New Brunswick has decreased its small business tax rate. British Columbia has also reduced its small business tax rate and, as a result of the provincial general election and the
introduction of a new government, the corporate income tax measures in the budget bill will need to be reintroduced.

**General corporations**

The following federal and provincial corporate tax rates for active business income earned by a general corporation are substantively enacted as of June 30, 2017:

<table>
<thead>
<tr>
<th>Tax Rates for Active Business Income Earned by a General Corporation Substantively Enacted as of June 30, 2017¹</th>
<th>2017</th>
<th>2018 and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal rate</td>
<td>15.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Provincial rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>British Columbia</td>
<td>11.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Alberta</td>
<td>12.0%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Saskatchewan¹</td>
<td>12.0/11.5%</td>
<td>11.5/11.0%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>12.0%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Ontario</td>
<td>11.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Quebec³</td>
<td>11.8%</td>
<td>11.7/11.6/11.5%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>14.0%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>16.0%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>16.0%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>15.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Territorial rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yukon²</td>
<td>15.0/12.0%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>11.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Nunavut</td>
<td>12.0%</td>
<td>12.0%</td>
</tr>
</tbody>
</table>

¹ The rates in the table are considered substantively enacted as at June 30, 2017 for ASPE and IFRS purposes and enacted as at June 30, 2017 for U.S. GAAP purposes.

² Saskatchewan announced a decrease to the province's general corporate income tax rate to 11.5%, effective July 1, 2017. The province announced that it will further decrease the rate by another 0.5%, effective July 1, 2019.

³ Quebec Bill 112 (tabled November 15, 2016) gradually reduces the general corporate income tax rate beginning in 2017. The rate will be 11.8% in 2017, 11.7% in 2018, 11.6% in 2019 and 11.5% in 2020. The rate reductions are effective January 1 of each year from 2017 to 2020.

⁴ Yukon announced a decrease to the province's general corporate income tax rate to 12% (from 15%), effective July 1, 2017.
As a result of tax measures announced by the 2017 federal budget and the 2017 provincial budgets, the following federal and provincial corporate tax rates for general active business income earned by a Canadian-controlled private corporation (CCPC) on its income that is eligible for the small business deduction are substantively enacted as of June 30, 2017:

### Tax Rates for Active Business Income Earned by a CCPC Eligible for the Small Business Deduction Substantively Enacted as of June 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018 and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal rate</td>
<td>10.5%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Provincial rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>British Columbia</td>
<td>2.5%</td>
<td>2.0%*</td>
</tr>
<tr>
<td>Alberta</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Ontario</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Quebec</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>3.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Territorial rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yukon</td>
<td>3.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Nunavut</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

* This tax measure must be reintroduced by the new government. See the discussion below on the status of British Columbia legislation.

1 The rates in the table are considered substantively enacted as at June 30, 2017 for ASPE and IFRS purposes. The rates are also considered enacted as at June 30, 2017 for U.S. GAAP purposes except for British Columbia’s 2017 and beyond tax rates.

2 British Columbia decreased the small business income tax rate to 2% (from 2.5%), effective April 1, 2017.

3 Alberta decreased the small business income tax rate to 2% (from 3%), effective January 1, 2017.

4 Small and medium-sized businesses in the primary (i.e., agriculture, forestry, fishing, hunting, mining, quarrying and, oil and gas extraction) and manufacturing sectors in Quebec may be able to claim an additional deduction of up to 4% if they meet certain criteria.

5 New Brunswick decreased the small business income tax rate to 3% (from 3.5%), effective April 1, 2017.

6 Yukon announced a decrease to the province’s small business income tax rate to 2% (from 3%), effective July 1, 2017.
The latest rates and small business deduction thresholds are always available on our Canadian Corporate Tax Tables page on the KPMG Canada site.

**Status of recent tax legislation at June 30, 2017**

The tables below provide more information on selected 2017 federal and provincial corporate tax measures that may have an impact on your June 30, 2017 interim year-end financial statements.

For more information about these changes, contact your KPMG adviser or see the editions of *TaxNewsFlash-Canada* noted below.

**Federal tax legislation**

<table>
<thead>
<tr>
<th>Federal Bill C-4</th>
<th>Date “substantively enacted” under ASPE/IFRS</th>
<th>Date “enacted” under U.S. GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 28, 2016</td>
<td></td>
<td>June 19, 2017</td>
</tr>
</tbody>
</table>

Federal Bill C-4 repeals certain contentious reporting requirements for labour organizations and labour trusts previously enacted in Bill C-377, which came into force on December 30, 2015. The CRA announced that it has waived Bill C-377’s reporting requirements for labour organizations and labour trusts for fiscal periods starting on December 31, 2015 and through to fiscal periods starting in 2017. Bill C-4 repeals related legislation in Bill C-377, which would have required labour organizations and labour trusts to track their financial and other prescribed activities for fiscal years beginning on or after December 31, 2015.

<table>
<thead>
<tr>
<th>Federal Bill C-44</th>
<th>Date “substantively enacted” under ASPE/IFRS</th>
<th>Date “enacted” under U.S. GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 11, 2017</td>
<td></td>
<td>June 22, 2017</td>
</tr>
</tbody>
</table>

Federal Bill C-44 includes certain tax measures proposed in the 2017 federal budget. Bill C-44 includes corporate tax measures under the *Income Tax Act* to:

- Eliminate the additional deduction for corporations regarding gifts of medicine to charities
- Eliminate the investment tax credit for the creation of child care spaces
- Eliminate a tax exemption for farming and fishing property insurers.

Bill C-44 also includes measures concerning the electronic distribution of T4 information slips.

Bill C-44’s personal measures include amendments to:

- Extend the mineral exploration tax credit for flow-through share investors
• Eliminate the deduction for eligible home relocation loans
• Eliminate the public transit tax credit.

**Outstanding 2017 federal budget measures**

Corporate tax measures announced in the 2017 federal budget that are not included in Bill C-44 and remain outstanding include measures to:

• Clarify the meaning of factual control
• Introduce an elective mark-to-market regime for derivatives held on income account
• Introduce a new anti-avoidance rule to target straddle transactions that allow taxpayers to selectively realize gains and losses on derivatives
• Extend the ability to reorganize on a tax-deferred basis to switch fund corporations and segregated funds in certain circumstances
• Make changes to the investment in specified clean energy generation and conservation equipment under the capital cost allowance regime
• Reclassify expenses renounced to flow-through share investors
• Reclassify expenditures related to drilling or completing a discovery well as Canadian Development Expenses
• Eliminate the ability to elect to use billed-basis accounting
• Extend the base erosion rules to foreign branches of life insurers.

For details of these measures, see *TaxNewsFlash-Canada* 2017-10, "2017 Federal Budget Highlights".

**Outstanding 2016 federal budget measures**

Tax measures announced in the 2016 federal budget that are not included in Bill C-44 and remain outstanding include measures providing for accelerated capital cost allowance for clean energy equipment.

For details of this measure, see *TaxNewsFlash-Canada* 2016-12, "2016 Federal Budget Highlights".

**Outstanding 2017 tax measures from May 5, 2017 draft legislation**

Finance has not yet tabled a bill with respect to draft legislation released on May 5, 2017, introducing the concept of “specified cooperative income” (applicable to farming and fishing corporations). As a result, these proposed measures are not considered substantively enacted as of June 30, 2017. The draft legislation proposes to exclude specified cooperative income from the definition of “specified corporate income” for purposes of the small business deduction, effective for taxation years beginning after March 21, 2016.

For details of this measure, see *Canadian Tax Adviser*, "Finance Provides Tax Relief to Farmers and Fishers".
Outstanding 2016 tax measures from September 16, 2016 draft legislation

Finance has not yet tabled a bill with respect to certain proposed tax changes contained in draft legislation released on September 16, 2016. As a result, these proposed measures are not considered substantively enacted as of June 30, 2017.

International tax measures
The September 16, 2016 draft legislation includes international tax measures to:

- Change the “upstream loan” rules to address technical uncertainties
- Re-introduce previously proposed rules to require an income inclusion for stub-year foreign accrual property income on dispositions or acquisitions of foreign affiliate shares
- Introduce a new elective rule to provide tax-deferred treatment for certain dispositions of taxable Canadian property on a foreign merger
- Expand the application of the foreign affiliate dumping rules to investments in foreign affiliates of other non-arm’s length Canadian corporations made by corporations resident in Canada
- Amend the shareholder benefit rules as they apply to foreign corporate reorganizations
- Amend the taxation of dispositions of taxable Canadian property resulting from a “negative adjusted cost base” in a property.

Business tax measures
The September 16, 2016 draft legislation includes business tax measures to:

- Amend the definition of “capital dividend account” so that the non-allowable portion of a corporation’s realized capital losses reduces the non-taxable portions of capital gains distributed from a trust to the corporation
- Allow partnerships in a tiered-partnership structure, to which a multi-tiered alignment election applies, to retain their common non-calendar fiscal period in some cases that are not currently permitted, as well as to make changes related to the reverse takeover of a trust or partnership by a loss corporation
- Amend the definition of “relevant spot rate” in light of the Bank of Canada no longer publishing noon rates (as of March 1, 2017)
- Ensure that taxpayers don’t circumvent the dividend stop-loss rules when shares of a corporation are held through a partnership
- Allow a taxpayer to claim a reserve for the unamortized amount of certain bond premiums
- Amend the taxation of character conversions and derivative forward agreements.

SR&ED tax measures
The September 16, 2016 draft legislation includes tax measures to:

- Clarify the filing requirements for SR&ED claims
- Clarify that a failure to provide the required claim information will not prevent a SR&ED deduction.
**Personal/trust tax measures**

The September 16, 2016 draft legislation’s personal tax measures include amendments to the taxation of life insurance policies, related to the definition of adjusted cost base of a taxpayer’s interest in a life insurance policy. The September 16, 2016 draft legislation’s trust tax measures include amendments to the taxation of non-resident trusts that are deemed to be resident in Canada, related to the computation of the foreign tax deduction (under subsection 20(12)) and the foreign tax credit (under paragraph 94(3)(b)).

For details of these measures, see Canadian Tax Adviser, "Finance Releases Big 2016 Technical Amendments Bill".

**Provincial tax legislation**

**British Columbia**

<table>
<thead>
<tr>
<th>British Columbia Bill 8</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Date &quot;substantively enacted&quot; under ASPE/IFRS</td>
<td>Date &quot;enacted&quot; under U.S. GAAP</td>
</tr>
<tr>
<td>February 21, 2017</td>
<td>Not enacted</td>
</tr>
</tbody>
</table>

British Columbia Bill 8 contains tax measures that were considered substantively enacted under ASPE/IFRS before the legislature dissolved on April 11, 2017 for the provincial general election, which took place on May 9, 2017. Generally, bills that have not received Royal Assent before the dissolution of the legislature die on the order paper and are voided. However, the tax measures remain substantively enacted as of June 30, 2017. As a result of the introduction of a new government, the corporate income tax measures in Bill 8 must be reintroduced by the new government.

British Columbia Bill 8 contains corporate tax measures announced in the province’s 2017 budget, including measures to:

- Reduce the small business corporate income tax rate to 2.0% (from 2.5%), effective April 1, 2017
- Pause the phase-out of a provincial preferential tax treatment for credit unions, which would have otherwise resulted in a tax increase, pending completion of the Financial Institutions Act and Credit Union Incorporation Act review. The phase-out was originally over a five year period beginning in 2016
- Amend the interactive digital media and mining exploration tax credits
- Extend the following tax credits:
  - SR&ED tax credit (to August 31, 2022)
  - Mining flow-through share tax credit (to the end of 2017)
  - Training tax credits (to the end of 2020)
  - Book publishing tax credit (to March 31, 2019).
Bill 8’s personal tax measures include a slight increase in the non-eligible dividend tax rate to 40.95% (from 40.61%) as a result of a reduction in the dividend tax credit on ineligible dividends to 15% (from 17%) for 2017 and subsequent tax years.

For details of these measures, see TaxNewsFlash-Canada 2017-07, "Highlights of the 2017 British Columbia Budget".

Alberta

<table>
<thead>
<tr>
<th>Alberta Bill 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date “substantively enacted” under ASPE/IFRS</td>
</tr>
<tr>
<td>May 17, 2017</td>
</tr>
</tbody>
</table>

Alberta Bill 15 includes certain measures to harmonize with federal tax legislation. The bill adopts federal changes to the small business deduction that prevent small businesses from using certain structures to multiply their access to Alberta’s 2% small business tax rate, effective for taxation years beginning after March 21, 2016. This amendment is also effective to each taxation year beginning before March 22, 2016 and ending after March 21, 2016 to which the federal transitional rules apply.

The bill also includes a measure to implement a $1,000 penalty for each tax return that a corporation fails to file electronically when required to do so, effective for tax returns for taxation years ending after December 31, 2017.

Bill 15 also contains personal tax measures announced in the province’s 2017 budget, including a reduction of the Alberta dividend tax credit for non-eligible dividends to 2.19% (from 3.08%) of the taxable amount of the dividend, effective January 1, 2017.

For details of the March 16, 2017 Alberta budget announcements, see TaxNewsFlash-Canada 2017-09, "Highlights of the 2017 Alberta Budget”.

Saskatchewan

<table>
<thead>
<tr>
<th>Saskatchewan Bill 58</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date “substantively enacted” under ASPE/IFRS</td>
</tr>
<tr>
<td>March 29, 2017</td>
</tr>
</tbody>
</table>

Saskatchewan Bill 58 increases the corporation capital tax rate on large financial institutions to 4% (from 3.25%), effective for the period commencing on April 1, 2017. This measure was previously announced in the province’s 2017 budget.

For details of this measure, see TaxNewsFlash-Canada 2017-11, "Highlights of the 2017 Saskatchewan Budget".
Saskatchewan Bill 69 includes certain corporate tax measures announced in the province’s 2017 budget, including measures to:

- Reduce the general provincial corporate income tax rate by 0.5% effective July 1, 2017, and reduce it by another 0.5% effective July 1, 2019
- Introduce a new refundable provincial 10% Research and Development Tax Credit, available to CCPCs, effective April 1, 2017
- Introduce a new patent box regime (Saskatchewan Commercial Innovation Incentive), which reduces the provincial corporate income tax rate to 6% on taxable income earned from the commercialization of qualifying intellectual property in the province, effective January 1, 2017
- Increase the rate of the M&P Investment Tax Credit to 6% (from 5%) for eligible capital acquisitions made on or after March 23, 2017
- Phase-out the special corporate tax reduction for credit unions over four years beginning in 2017.

The bill also includes several corporate tax measures that were not announced in the province’s 2017 budget, including measures to:

- Modify the rental housing rebate rate to equal the difference between the general tax rate and the small business tax rate as a result of the general corporate tax rate reductions, effective July 1, 2017
- Expand the determination of full-time employees for purposes of the M&P exporter hiring incentive and M&P exporter head office incentive, effective January 1, 2015
- Clarify that corporations may claim either the primary steel production rebate or the Saskatchewan Commercial Innovation Incentive rebate but not both, effective January 1, 2017.

Bill 69’s personal tax measures include a reduction to each of the province’s personal income tax rates by 0.5% effective July 1, 2017, and by another 0.5% effective July 1, 2019.

For details of the March 22, 2017 Saskatchewan budget announcements, see TaxNewsFlash-Canada 2017-11, "Highlights of the 2017 Saskatchewan Budget".

Manitoba

<table>
<thead>
<tr>
<th>Manitoba Bill 36</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date “substantively enacted” under ASPE/IFRS</strong></td>
</tr>
<tr>
<td>May 25, 2017</td>
</tr>
<tr>
<td><strong>Date “enacted” under U.S. GAAP</strong></td>
</tr>
<tr>
<td>Not enacted</td>
</tr>
</tbody>
</table>
Manitoba Bill 36 contains corporate tax measures announced in the province’s 2017 budget, including measures to:

- Reduce the R&D Tax Credit to 15% (from 20%) effective for eligible expenditures made after April 11, 2017
- Reduce the non-refundable portion of the Manufacturing Investment Tax Credit to 1% (from 2%), for qualifying properties acquired after April 11, 2017
- Eliminate the capital tax deduction for fiscal years ending after April 30, 2017
- Eliminate the Paid Work Experience Tax Credit for Crown corporations and other provincial government entities, effective for the 2017 tax year.

The bill includes amendments to eliminate the following tax credits (generally for contributions or expenditures made, or property acquired, as the case may be, after April 11, 2017):

- Co-operative Development Tax Credit
- Odour Control Tax Credit
- Nutrient Management Tax Credit
- Riparian Tax Credit Data Processing Investment Tax Credits
- Neighbourhoods Alive! Tax Credit.

The bill includes amendments to extend the following tax credits:

- Manufacturing Investment Tax Credit (to December 31, 2020)
- Book Publishing Tax Credit (to December 31, 2018)
- Interactive Digital Media Tax Credit (to December 31, 2022).

The bill also includes several corporate tax measures not announced in the province’s 2017 budget, including one that allows a credit union’s preferred-rate amount to be determined through regulations to the *Income Tax Act* (Manitoba). Bill 36’s remaining corporate tax measures are housekeeping measures concerning the *Corporation Capital Tax Act* and a measure that clarifies the reference in the *Income Tax Act* (Manitoba) to a corporation’s taxable income earned in Manitoba.

Bill 36’s personal tax measures include an extension of the Mineral Exploration Tax Credit to December 31, 2020 and an increase of the maximum Political Contributions Tax Credit to $1,000, effective for the 2018 tax year.

For details of the April 11, 2017 Manitoba budget announcements, see *TaxNewsFlash-Canada* 2017-21, “*Highlights of the 2017 Manitoba Budget*”.

**Ontario**

<table>
<thead>
<tr>
<th>Ontario Bill 127</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date “substantively enacted” under ASPE/IFRS</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Ontario Bill 127 includes certain corporate tax measures announced in the province’s 2017 budget, including measures to:

- Eliminate the Employer Health Tax exemption, in certain circumstances, for a year beginning after the prescribed date (no earlier than December 31, 2017). The elimination of the exemption applies for an employer that would be a “designated member” of a partnership at any time in the year (for purposes of the small business deduction rules in section 125 of the *Income Tax Act* (Canada))

- Amend the Ontario small business deduction rules to reduce a company’s Ontario business limit by the same amount the federal business limit is reduced when the company assigns any portion of its federal business limit to another company under certain circumstances, effective March 22, 2016

- Clarify that talk shows are ineligible for the Ontario Computer Animation and Special Effects Tax Credit, effective January 1, 2009.

Ontario Bill 127 also includes a measure to align the penalty for repeated failure to report income with the corresponding provisions in the *Income Tax Act* (Canada).

Ontario Bill 127’s personal tax measures include changes to the prorating of the amount of the Ontario Tax Reduction to which multi-jurisdictional tax filers are entitled and changes to the method of calculating the surtax payable by multi-jurisdictional tax filers.

For details of the April 27, 2017 Ontario budget announcements, see *TaxNewsFlash—Canada* 2017-25, "Highlights of the 2017 Ontario Budget".

**Quebec**

<table>
<thead>
<tr>
<th>Quebec Bill 112</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date “substantively enacted” under ASPE/IFRS</strong></td>
</tr>
<tr>
<td>November 15, 2016</td>
</tr>
</tbody>
</table>

Quebec Bill 112 includes certain tax measures announced in Quebec’s 2015 and 2016 budgets as well as various information bulletins published in 2014, 2015 and 2016.

**Business tax measures**

Quebec Bill 112 contains business tax measures to:

- Reduce the corporate general income tax rate to 11.5% (from 11.9%) by 2020 by decreasing the rate by 0.1% on January 1 of each year from January 1, 2017 until January 1, 2020 (the bill also makes a consequential adjustment to the small business deduction to maintain the minimum tax rate applicable to the income of small corporations at 8%)
• Replace the qualification criterion for the small business deduction for corporations in the primary or manufacturing sector concerning the minimum three full-time employees test with a qualification criterion that the corporation’s employees must work at least 5,500 hours during the taxation year or a previous taxation year (applicable to taxation years beginning after December 31, 2016). The small business deduction is reduced linearly between 5,500 and 5,000 hours, and falls to zero at 5,000 hours.

• Extend the small business rate reduction to small and medium-sized businesses in the primary sector such that an effective small business tax rate as low as 4% (from 8%) is available for taxation years beginning after December 31, 2016.

• Specify the technical conditions for the non-application (applicable to dispositions of shares occurring after March 17, 2016) of the anti-avoidance rules that ultimately recharacterize capital gains as dividends announced on March 26, 2015 (in the 2015 Quebec Budget).

• Enhance the Quebec tax holiday (i.e., the deduction in computing taxable income of corporations and the employers’ health services fund contribution exemption) for large investment projects in eligible regions by amending The Act respecting the sectoral parameters of certain fiscal measures, among other things.

Mining tax measures
Quebec Bill 112 contains mining tax measures to:

• Allow an operator to elect on its mining tax return for its fiscal year ended immediately before ceasing all activities related to its mining operations for an indeterminate period, to calculate its profit margin using its adjusted annual profit margin as opposed to the annual profit margin for the year.

• Apply, after March 17, 2016, the rules pertaining to the transfer of property with no immediate tax impact solely when the purchaser of the property, in addition to being a person related to the former owner, is an operator within the meaning of the Mining Tax Act for the fiscal year in which the purchaser acquires the property.

• Abolish the requirement to reimburse to the Minister expenses paid for the services of a valuator in respect of gemstones for fiscal years ended after March 17, 2016.

Tax credits
Quebec Bill 112 contains tax credit measures to:

• Revise tax credit rates and extend tax credits for investments related to manufacturing and processing equipment.

• Enhance the refundable tax credit for the integration of information technologies in small- and medium-sized businesses in the primary and manufacturing sectors.

• Enhance the refundable tax credit for the production of multimedia titles and shows.

• Ease the terms and conditions for calculating the qualified labour expenditure limit, applicable to refundable tax credits for producing multimedia titles.

• Replace a portion of the refundable tax credit for international financial centres by a non-refundable tax credit.
• Increase the rates of the refundable tax credit for resources in respect of mining exploration expenses in Quebec’s Near North or Far North
• Raise the exemption threshold for the tax on logging operations from $10,000 to $65,000 for taxation years beginning after March 17, 2016
• Recognize new college centers that are eligible for the refundable scientific research and experimental development tax credit.

Other tax measures

Other tax measures announced in Quebec Bill 112 include measures to:

• Speed up the plan to reduce the health contribution for 2016 and abolish it as of 2017
• Reduce the employers’ contribution rate to the Health Services Fund for all small- and medium-sized businesses
• Deny deductibility of contributions made for political purposes after March 17, 2016 in calculating the taxpayer’s income from a business or property
• Change the rules for municipalities that must collect duties on certain transfers of immovables that are made after March 17, 2016 to:
  o Tighten certain provisions granting an exemption from paying transfer duties
  o Modify the transfer duties’ due date where the deed ascertaining the transfer is not registered in the land register so that the transfer duties will become payable as of the date of the immovable’s transfer (instead of the date of registration in the land register of the deed ascertaining the transfer of the immovable)
  o Exempt certain transfers of immovables between two former de facto spouses
• Harmonize various Quebec statutes with federal tax legislation enacted in 2013-2016, including harmonization measures announced in various Information Bulletins published in 2013-2015 and in the June 4, 2014 Quebec Budget speech dealing with:
  o Corporate and trust loss trading
  o Income tax treatment of certain testamentary trusts
  o Financial arrangements that include synthetic disposition transactions
  o Leveraged life insurance schemes
  o Administrative penalties in respect of electronic suppression of sales software (i.e., “zapper” software)
  o File certain mandatory planning disclosure forms for Quebec contingency-fee engagements.

Personal tax measures

Quebec Bill 112’s personal measures include amendments for an enhanced tax credit of 25.75% for gifts in excess of $100,000 and the elimination of the 75% income limit on gifts, effective January 1, 2017. Bill 112 also includes a temporary refundable tax credit for eco-friendly renovations (RénoVert).

For details of the March 17, 2016 Quebec budget announcements, see TaxNewsFlash-Canada 2016-11, “Highlights of the 2016-2017 Quebec Budget”.
New Brunswick

New Brunswick Bill 60

<table>
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<tr>
<th>Date “substantively enacted” under ASPE/IFRS</th>
<th>Date “enacted” under U.S. GAAP</th>
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<tr>
<td>March 28, 2017</td>
<td>May 5, 2017</td>
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New Brunswick Bill 60 reduces the New Brunswick small business tax rate to 3% (from 3.5%), effective April 1, 2017.

The bill also reduces the New Brunswick dividend tax credit rate for non-eligible dividends to 3.245% (from 3.5%) of the taxable amount of the dividend, effective January 1, 2017.

For details of the February 7, 2017 New Brunswick budget announcements, see TaxNewsFlash-Canada 2017-05, “Highlights of the 2017 New Brunswick Budget”.

Outstanding provincial budget and other tax measures

Quebec 2017 budget

Quebec has not yet tabled a bill to enact certain tax changes announced in the province’s 2017 budget as of June 30, 2017, including measures to:

- Amend the small business deduction rules, effective for taxation years beginning after December 31, 2016, by:
  - Replacing "minimum number of hours worked" qualification criteria with "minimum hours paid"
  - Introducing a new rule regarding controlling shareholders who do not receive a salary
  - Making other consequential changes
- Extend the application deadline for an initial qualification certificate, relating to the tax holiday for large investment projects, to December 31, 2020 (from November 20, 2017)
- Introduce a new election so that an additional phase may be added to a large investment project for tax holiday purposes
- Introduce an additional capital cost allowance of 35%, applicable to manufacturing or processing equipment (property of class 53) and computer equipment (property of class 50) acquired after March 28, 2017 and before April 1, 2019, subject to certain conditions
- Increase the rate of additional deduction for transportation costs to 10% (from 7%) for manufacturing small and medium-sized enterprises carrying out activities in specified special remote areas, effective for taxation years beginning after March 28, 2017
- Introduce an additional deduction for transportation costs equal to 10% of the gross income for non-manufacturing small and medium-sized enterprises that carry out their activities in special remote areas subject to certain conditions, effective for taxation years beginning after March 28, 2017
- Introduce, enhance, expand, or modify the following tax credits:
- Refundable tax credit for Quebec film or television production
- Refundable tax credit for film production services
- Refundable tax credit for the production of multimedia events or environments staged outside Quebec
- Refundable tax credit for corporations specialized in the production of multimedia titles
- Refundable tax credit aimed at encouraging the creation of new financial services corporations
- Refundable tax credit for the production of ethanol in Quebec
- Temporary refundable tax credit in respect of biodiesel fuel production.

For details of the March 28, 2017 Quebec budget announcements, see TaxNewsFlash-Canada 2017-14, “Highlights of the 2017-2018 Quebec Budget”.

Quebec 2016 budget

Quebec has not yet tabled a bill to enact certain tax changes announced in the province’s 2016 budget as of June 30, 2017, including measures to:

- Introduce, on a temporary basis, an income-averaging mechanism over a seven-year period for certified forest producers for the purposes of income tax and the individual contribution to the Health Services Fund (applicable to taxation years ending after March 17, 2016 and before January 1, 2021)
- Introduce a deduction for innovative manufacturing corporations to reduce the effective tax rate on the net income derived from qualified patent features to 4% (applicable to taxation years beginning after December 31, 2016).
- Introduce a temporary refundable tax credit for major digital transformation projects corresponding to 24% of qualified wages paid by a qualified corporation to an eligible employee regarding an eligible digitization contract
- Simplify the registration procedure for charities so that starting January 1, 2016, a registered charity under the Income Tax Act (Canada) is deemed to be registered under the Taxation Act.

For details of the March 17, 2016 Quebec budget announcements, see TaxNewsFlash-Canada 2016-11, “Highlights of the 2016-2017 Quebec Budget”.

Quebec 2017 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax changes announced in the province’s 2017 Information Bulletin 2017-6 as of June 30, 2017. The bulletin contains tax changes to harmonize with various federal corporate provisions proposed in the 2017 federal budget, including measures to:

- Eliminate billed-basis accounting elections
- Clarify the concept “factual control”
• Allow switch fund corporations and segregated funds to reorganize on a tax-deferred basis, in certain circumstances
• Introduce a new anti-avoidance rule to target straddle transactions that allow taxpayers to selectively realize gains and losses on derivatives
• Extend the base erosion rules to foreign branches of life insurers
• Re-classify expenditures related to drilling or completing a discovery well as Canadian Development Expenses (these expenses are currently treated as Canadian Exploration Expenses)
• Re-classify expenses renounced to flow-through share investors
• Make changes to investments in specified clean energy generation and conservation equipment under capital cost allowance regime
• Eliminate additional deduction for gifts of medicine to charities
• Eliminate a tax exemption for farming and fishing property insurers.

The bulletin also contains tax changes to harmonize with various proposed measures announced in the draft legislation released by Finance on September 16, 2016, including:

• Changes related to reverse takeovers of trusts or partnerships by a loss corporation
• New rules for banks and Federal Credit Union allocations to other provinces
• A change to the effective date for measures concerning the sales of linked notes announced in the 2016 federal budget to January 1, 2017 (from October 1, 2016).

For details of the 2017 Information Bulletin 2017-6, see Canadian Tax Adviser, “Quebec Announces Tax Harmonization Measures”.

Quebec 2016 Information Bulletins

Quebec has not yet tabled a bill to enact certain tax changes announced in the province’s 2016 Information Bulletins 2016-7 and 2016-9 as of June 30, 2017, including measures to:

• Clarify that amounts for all refundable tax credits intended for businesses must be reasonable to be entitled to such tax credits
• Clarify that unpaid salary is no longer deemed to be incurred in the taxation year during which it was actually paid for purposes of refundable tax credits pertaining to the development of e-business and international financial centres, if the salary remains unpaid for more than 180 days after the year-end
• Clarify the farm property tax credit program.

For details of these measures, see Canadian Tax Adviser, “Quebec Measures Announced - Changes to Taxable Quebec Property, and More” and “Quebec Tax Measures Announced - Changes Concerning Federal Tax Harmonization Measures and Certain Personal Tax Changes”.

Nova Scotia 2017 budget
Nova Scotia has not tabled a bill to enact certain tax changes announced in the province’s 2017 budget as of June 30, 2017, including corporate tax measures to:

- Increase the small business income threshold to $500,000 (from $350,000), effective January 1, 2017
- Introduce a new innovation rebate of 15% to help businesses invest in capital projects that support the development of products and value-added products.


We can help

KPMG’s tax accounting and audit support professionals can help you assess the impact these changes in tax law will have on your organization’s financial statements. We can also help your organization understand and manage your obligations under the Canadian, U.S. and international financial reporting standards for income tax accounts and disclosures. For details, contact your KPMG adviser.