If you are involved in preparing financial reports for corporations or other organizations, certain 2017 Canadian income tax rate and other changes may need to be reflected in your year-end 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 Canadian federal and provincial tax legislation substantively enacted but not yet enacted, or enacted after June 30, 2017.

For 2017 tax legislation enacted before July 1, 2017, see *TaxNewsFlash-Canada 2017-37, “Tax Accounting — Q2 2017 Update”*.

**Substantively enacted corporate tax rates for 2017**

Although the federal general income tax rate for 2017 has not changed, Saskatchewan and the Yukon have reduced their general corporate income tax rates for 2017. The Quebec
general corporate income tax rate has also decreased in 2017, pursuant to previously enacted reductions to take place each year from 2017 through 2020. For 2018 and future years, the provincial general corporate income tax rate will increase in Saskatchewan and British Columbia.

While the federal small business income tax rate for 2017 also remains unchanged, British Columbia and the Yukon have decreased their small business tax rate for 2017. The 2017 small business tax rate for Alberta has also decreased, pursuant to legislation enacted in 2016. New Brunswick has also reduced its small business tax rate for 2017, with a further reduction beginning in 2018. Ontario has also reduced its small business tax rate beginning in 2018.

General corporations

The following federal and provincial corporate tax rates for active business income earned by a general corporation are substantively enacted as of December 31, 2017:

<table>
<thead>
<tr>
<th>Tax Rates for Active Business Income Earned by a General Corporation</th>
<th>Substantively Enacted as of December 31, 2017¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Federal rate</td>
<td>15.0%</td>
</tr>
<tr>
<td>Provincial rates</td>
<td></td>
</tr>
<tr>
<td>British Columbia²</td>
<td>11.0%</td>
</tr>
<tr>
<td>Alberta</td>
<td>12.0%</td>
</tr>
<tr>
<td>Saskatchewan³</td>
<td>12.0/11.5%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>12.0%</td>
</tr>
<tr>
<td>Ontario</td>
<td>11.5%</td>
</tr>
<tr>
<td>Quebec⁴</td>
<td>11.8%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>14.0%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>16.0%</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>16.0%</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>15.0%</td>
</tr>
<tr>
<td>Territorial rates</td>
<td></td>
</tr>
<tr>
<td>Yukon⁵</td>
<td>15.0/12.0%</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>11.5%</td>
</tr>
<tr>
<td>Nunavut</td>
<td>12.0%</td>
</tr>
</tbody>
</table>

¹ The rates in the table are considered substantively enacted as at December 31, 2017 for ASPE and IFRS purposes and are also enacted as at December 31, 2017 for U.S. GAAP purposes.
² British Columbia increased the province’s general corporate income tax rate to 12% (from 11%) effective January 1, 2018.
³ Saskatchewan decreased the province’s general corporate income tax rate to 11.5%, effective July 1, 2017. The rate will return to 12%, effective January 1, 2018.
4 Quebec gradually reduced the general corporate income tax rate beginning in 2017. The rate is 11.8% in 2017, and will decrease to 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.
5 Yukon decreased the province’s general corporate income tax rate to 12% (from 15%), effective July 1, 2017.

Canadian-controlled private corporations

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 December 31, 2017:

<table>
<thead>
<tr>
<th>Tax Rates for Active Business Income Earned by a CCPC Eligible for the Small Business Deduction Substantively Enacted as of December 31, 2017¹</th>
<th>2017</th>
<th>2018 and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal rate²</td>
<td>10.5%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Provincial rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>British Columbia³</td>
<td>2.5/2.0%</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>Ontario⁴</td>
<td>4.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Quebec⁵</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>New Brunswick⁶</td>
<td>3.5/3.0%</td>
<td>3.0/2.5%</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>Yukon⁷</td>
<td>3.0/2.0%</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>

¹ The rates in the table are considered substantively enacted as at December 31, 2017 for ASPE and IFRS purposes and are also enacted as at December 31, 2017 for U.S. GAAP purposes.
² The federal government proposed to decrease the small business income tax rate to 10% (from 10.5%) effective January 1, 2018, and to 9% effective January 1, 2019; these decreases have not yet been included in a bill and are not substantively enacted for ASPE or IFRS purposes or enacted for U.S. GAAP purposes as at December 31, 2017.
³ British Columbia decreased the small business income tax rate to 2% (from 2.5%) effective April 1, 2017.
⁴ Ontario decreased the small business income tax rate to 3.5% (from 4.5%) effective January 1, 2018.
5 Quebec amended the province’s small business deduction qualification criteria for taxation years that begin after December 31, 2016 by replacing the “minimum hours worked” criteria with a new “minimum hours paid” threshold. 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 4% deduction if they meet certain criteria.

6 New Brunswick decreased the small business income tax rate to 3% (from 3.5%) effective April 1, 2017, and to 2.5% effective April 1, 2018.

7 Yukon decreased 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 December 31, 2017

The tables below provide more information on selected 2017 federal and provincial corporate tax measures that may have an impact on your December 31, 2017 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-63</th>
<th>Date “substantively enacted” under ASPE/IFRS</th>
<th>Date “enacted” under U.S. GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>October 27, 2017</td>
<td>December 14, 2017</td>
</tr>
</tbody>
</table>

Federal Bill C-63 includes tax measures that were announced in the 2017 federal budget and other catch-up measures affecting international tax, business tax, GST/HST, personal tax, trusts, and the Scientific Research and Experimental Development (SR&ED) regime, among other areas. It also includes measures related to the principal residence exemption, and some specified cooperative income measures.

Federal Bill C-63 includes business tax measures to:

- Eliminate the ability to elect to use billed-basis accounting
- 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
- Amend the definition of “specified corporate income” under the small business deduction rules to exclude “specified cooperative income”
- Amend the "capital dividend account" definition 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 where a multi-tiered alignment election applies to keep their common non-calendar fiscal period in some cases that are not currently permitted, as well as change rules related to the reverse takeover of a trust or partnership by a loss corporation
• Amend the “relevant spot rate” definition
• Add new anti-avoidance measures, to ensure that taxpayers don’t circumvent the dividend stop-loss rules by holding shares through a partnership
• Add a new rule to 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
• Extend the ability to reorganize, on a tax-deferred basis, switch fund corporations and segregated funds in certain circumstances
• Change the rules for investing in specified clean energy generation and conservation equipment under the capital cost allowance regime
• Reclassify expenses renounced to flow-through share investors by oil and gas corporations
• Reclassify expenditures related to drilling or completing a discovery well as Canadian Development Expenses
• Amend the taxation of restrictive covenants.

Federal Bill C-63 also includes international tax measures to:

• Introduce new rules to ensure that taxpayers include the appropriate portion of stub period foreign accrual property income (FAPI) in the year that a taxpayer’s interest in a foreign affiliate changes
• Extend the FAPI base erosion and anti-avoidance rules to foreign branches of life insurers in respect of insurance of Canadian risks
• Change the “upstream loan” rules (and related transitional relieving rules)
• Introduce a new elective rule that allows deferred tax-treatment related to dispositions of taxable Canadian property on a foreign merger
• Clarify the taxation of dispositions of taxable Canadian property resulting from a “negative adjusted cost base” in a property.

The measures also include changes to a number of regulations, including those related to:

• Exempt life insurance policies
• Bank and Federal Credit Union allocations of taxable income earned in a province
• Prescribed foreign spin-off distributions
• Foreign tax credit generators (the hybrid entities exception)
• Prescribed shares for paragraph 110(1)(d) (stock option deduction).

Federal Bill C-63 includes SR&ED related measures to:

• Clarify the filing requirements in respect of SR&ED claims
• Clarify that a failure to provide the required claim information will not prevent a SR&ED deduction.

Outstanding federal legislation

Outstanding 2017 federal budget measures

Although the 2017 federal budget public consultation included a possible amendment to the income tax deferral available on deferred cash purchase tickets for deliveries of listed grains, Finance announced in November 2017 that it will not go forward with changes. See Canadian Tax Adviser, "No Change to Cash-Purchase Ticket System".

Outstanding 2016 federal budget measures

Tax measures announced in the 2016 federal budget that have not yet been included in a bill 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 September 16, 2016 draft legislation

Tax measures announced in the September 16, 2016 draft legislation that are not included in Federal Bill C-63 and remain outstanding include measures to change the shareholder benefit rules, as they apply to certain foreign corporate reorganizations.

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

Outstanding 2017 economic update measures

Finance announced in October that it would reduce the small business tax rate to 10% effective January 1, 2018, and to 9% effective January 1, 2019. This measure has not yet been included in a bill.

For details of these and other measures announced in this update see TaxNewsFlash-Canada 2017-49, “Highlights of the 2017 Fall Federal Economic Update” and TaxNewsFlash-Canada 2017-46, “Small Business Tax Rate Drops to 9% by 2019”.

Outstanding Private Company Measures

Finance released draft legislation for the tax on split income rules (TOSI) on December 13, 2017, however these measures have not yet been included in a bill. Finance also confirmed that it is continuing with its plans to limit tax-deferral opportunities related to
passive investments within private corporations, and stated that it will include further details on these proposed measures as part of the 2018 federal budget.


**Provincial tax legislation**

**British Columbia**

<table>
<thead>
<tr>
<th>British Columbia Bill 2</th>
<th>Date “substantively enacted” under ASPE/IFRS</th>
<th>Date “enacted” under U.S. GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>February 21, 2017 / October 26, 2017</td>
<td>November 2, 2017</td>
</tr>
</tbody>
</table>

B.C. Bill 2 includes most of the tax measures from the province’s September 2017 budget update, as well as several tax measures that are identical or similar to ones that were in B.C.’s previous 2017 budget bill (Bill 8) which was introduced on February 21, 2017. Bill 8 died on the order paper after the provincial legislature dissolved on April 11, 2017 for the provincial general election.

The corporate income tax measures in Bill 2 that were previously included in Bill 8 are considered to be substantively enacted for purposes of IFRS and ASPE on February 21, 2017, the date Bill 8 received first reading (when B.C. had a majority government). The corporate income tax measures in Bill 2 that were not previously included in Bill 8 are considered substantively enacted on October 26, 2017, the date Bill 2 received third reading (as B.C. now has a minority government). Bill 2 is enacted for U.S. GAAP purposes on November 2, 2017, the date it received Royal Assent.

British Columbia Bill 2 includes corporate income tax measures to:

- Increase the general corporate income tax rate to 12% (from 11%), effective January 1, 2018 (considered substantively enacted October 26, 2017)
- Reduce the small business corporate income tax rate to 2.0 (from 2.5%), effective April 1, 2017 (considered substantively enacted February 21, 2017)
- Cancel the planned phase-out of the provincial preferential tax rate for credit unions and restore 100% of the provincial preferential tax rate available for credit unions, effective January 1, 2017 (restoration of 80% of the provincial tax rate credit is considered substantively enacted February 21, 2017 and restoration of the remaining 20% is considered substantively enacted on October 26, 2017)
- Restrict international business activities from qualifying for corporate income tax refunds, effective September 12, 2017 (considered substantively enacted October 26, 2017).
British Columbia Bill 2 also includes a number of measures applicable to various tax credits, including measures to:

- Allow certain corporations to be eligible for the interactive digital media tax credit without having to meet the principal business criteria, effective for taxation years that end on or after February 22, 2017
- Permit interactive digital media corporations participating in the small business venture capital program to be eligible for the interactive digital media tax credit, effective for taxation years that end on or after February 22, 2017
- Allow the costs of environmental studies and community consultations incurred after February 28, 2015 to be eligible for the mining exploration tax credit
- 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 credit (to the end of 2018)
  - Book publishing tax credit (to March 31, 2018).

For a complete analysis of the substantive enactment of B.C. Bill 2’s measures and for details of other measures included in Bill 2, see KPMG’s Canadian Tax Advisor, "Third Reading for British Columbia Budget Update Bill".

**Saskatchewan**

<table>
<thead>
<tr>
<th>Saskatchewan Bill 84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date “substantively enacted” under ASPE/IFRS</td>
</tr>
<tr>
<td>November 6, 2017</td>
</tr>
</tbody>
</table>

Saskatchewan Bill 84 includes corporate tax measures announced during the province’s throne speech in October to:

- Increase the general provincial corporate income tax rate to 12% (from 11.5%), effective January 1, 2018
- Increase the small business income threshold to $600,000 (from $500,000), effective January 1, 2018
- Cancel the planned reduction to the province’s general corporate tax rate to 11%, previously scheduled to take place on July 1, 2019.

**Manitoba**

<table>
<thead>
<tr>
<th>Manitoba Bill 36</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date “substantively enacted” under ASPE/IFRS</td>
</tr>
<tr>
<td>May 25, 2017</td>
</tr>
</tbody>
</table>

Manitoba Bill 36 includes a measure to allow a credit union’s preferred-rate amount to be determined through regulations to the Income Tax Act (Manitoba). The bill also includes
other housekeeping measures concerning the Corporation Capital Tax Act and clarification that the reference in the Income Tax Act (Manitoba) to a corporation’s taxable income earned in Manitoba.

Manitoba Bill 36 also includes a number of measures announced in the province’s 2017 budget applicable to various tax credits, 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
- 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
- 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).

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 177</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date “substantively enacted” under ASPE/IFRS</strong></td>
</tr>
<tr>
<td>November 14, 2017</td>
</tr>
</tbody>
</table>

Ontario Bill 177 enacts the corporate income tax measures in Ontario’s 2017 Fall Economic Update, including measures to:

- Reduce Ontario’s small business corporate income tax rate that applies to the first $500,000 of qualifying active business income of a Canadian-controlled private corporation to 3.5% (from 4.5%) effective January 1, 2018
- Stipulate that a corporation may only claim the Ontario small business deduction if it also claims the federal small business deduction
Ontario Bill 177 also amends the calculation of the tax reduction for credit unions, consequential to the phase-out of the federal preferential income tax rate for credit unions over five years, beginning in 2018 and includes other tax measures affecting land transfer tax and eligibility for the apprenticeship training tax credit, among other changes.

For further details of these updates see *TaxNewsFlash-Canada* 2017-56, "Ontario Drops Small Business Tax Rate for 2018".

### Quebec

<table>
<thead>
<tr>
<th>Quebec Bill 146</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date “substantively enacted” under ASPE/IFRS</td>
</tr>
<tr>
<td>November 9, 2017</td>
</tr>
</tbody>
</table>

Quebec Bill 146 includes certain tax measures announced in Quebec’s 2017 budget as well as various information bulletins published in 2016 and 2017.

Quebec Bill 146 includes corporate tax measures to:

- Amend the small business deduction qualification criteria for taxation years starting after December 31, 2016 by replacing the “minimum hours worked” criteria with a new “minimum hours paid” threshold. Consequential to this amendment, controlling shareholders working for a corporation without receiving a salary will now be able to include their hours-worked in the total number of hours paid (based on a conversion factor of 1.1)
- Extend existing legislation that permits certain non-arm’s length share transfers without triggering the Quebec anti-surplus stripping rules in sections 517.1 to 517.3 (equivalent to the federal section 84.1 rules). For dispositions occurring after March 17, 2016, this relief is expanded to be available to all sectors, whereas previously it was only available for a qualified small business corporation share in the primary and manufacturing sectors
- Increase the additional deduction rate to 10% (from 7%) for transportation costs for some small and medium-sized manufacturing businesses carrying out activities in specified remote areas for taxation years beginning after March 28, 2017
- Introduce an additional deduction for transportation costs, equal to 10% of gross income for certain qualifying non-manufacturing small and medium-sized enterprises
- Extend the compensation tax for financial institutions to March 31, 2024
- Temporarily introduce a seven-year income-averaging mechanism for certified forest producers
- 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)
• Re-classify expenditures related to drilling or completing a discovery well as Canadian Development Expenses (these expenses are currently treated as Canadian Exploration Expenses)
• Eliminate an entity’s ability to multiply the small business deduction using partnerships by creating a rule to deem a CCPC to be a member of the partnership and claim its income as the partnership’s active income.

Quebec Bill 146 also includes tax credit and other measures to:

• Revise the temporary refundable tax credit for the production of biodiesel fuel
• 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
• Add new rules to the shareholder loan provisions for dealing with back-to-back arrangements and multiple intermediary structures

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

New Brunswick

<table>
<thead>
<tr>
<th>New Brunswick Bill 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date “substantively enacted” under ASPE/IFRS</td>
</tr>
<tr>
<td>November 14, 2017</td>
</tr>
</tbody>
</table>

New Brunswick Bill 23 decreases the New Brunswick small business income tax rate to 2.5% (from 3%), effective April 1, 2018, and eliminates the political contribution tax credit for corporations effective June 1, 2017.

Nova Scotia

<table>
<thead>
<tr>
<th>Nova Scotia Bill 39</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date “substantively enacted” under ASPE/IFRS</td>
</tr>
<tr>
<td>October 11, 2017</td>
</tr>
</tbody>
</table>

Nova Scotia Bill 39 includes most of the tax measures from the province’s September 2017 budget. This bill includes a measure to increase the small business income threshold to $500,000 (from $350,000), effective January 1, 2017.
Outstanding provincial budget and other corporate 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 December 31, 2017, including measures to:

- 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
- 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.

For details of the March 28, 2017 Quebec budget announcements, see TaxNewsFlash-Canada 2017-14, “Highlights of the 2017-2018 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 December 31, 2017. The bulletin includes 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 of “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 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 includes 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 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 December 31, 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”.
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.

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Information is current to December 31, 2017. The information contained in this TaxNewsFlash-Canada is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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