TaxNewsFlash
Canada

Tax Accounting — Q2 2019 Update

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If you are involved in preparing financial reports for corporations or other organizations, certain 2019 Canadian 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 Canadian federal and provincial income tax legislation substantively enacted or enacted after December 31, 2018. It also includes a summary of certain outstanding corporate income tax measures that have been announced, but are not yet substantively enacted, including certain 2019 federal budget measures and the enhanced capital cost allowance (CCA) measures announced in the Quebec 2018 Fall Economic Update.

For 2018 tax legislation enacted before January 1, 2019, see *TaxNewsFlash-Canada* 2019-01, "Tax Accounting — 2018 Tax Rates and Other Changes".

Substantively enacted corporate tax rates for 2019

Although the federal general income tax rate for 2019 has not changed, Alberta has decreased its general corporate income tax rate beginning on July 1, 2019, with subsequent decreases on January 1 of each year from 2020 through 2022. In addition, Quebec has decreased its general corporate income tax rate in 2019, pursuant to previously enacted reductions to take place each year from 2017 through 2020. For 2019 and future years, both the federal and provincial general corporate income tax rates will remain unchanged for all provinces.

The federal small business income tax rate has decreased for 2019, as have the provincial small business income tax rates in Quebec and Prince Edward Island. Quebec will continue to decrease its small business income tax rate until 2021.

General corporations

The following federal and provincial corporate tax rates for active business income earned by a general corporation are substantively enacted and enacted as of June 30, 2019:

Tax Rates for Active Business Income Earned by a General Corporation Substantively Enacted and Enacted as of June 30, 2019[1]		
	2019	**2020 and beyond**
Federal rate	15.0%	15.0%
Provincial rates		
British Columbia	12.0%	12.0%
Alberta[2]	12.0/11.0%	10.0/9.0/8.0%
Saskatchewan	12.0%	12.0%
Manitoba	12.0%	12.0%
Ontario	11.5%	11.5%
Quebec[3]	11.6%	11.5%
New Brunswick	14.0%	14.0%
Nova Scotia	16.0%	16.0%
Prince Edward Island	16.0%	16.0%
Newfoundland and Labrador	15.0%	15.0%
Territorial rates		
Yukon	12.0%	12.0%
Northwest Territories	11.5%	11.5%
Nunavut	12.0%	12.0%

[1] The rates in the table are substantively enacted as at June 30, 2019 for ASPE and IFRS purposes and are also enacted as at June 30, 2019 for U.S. GAAP purposes.

[2] Alberta's general corporate income tax rate will decrease to 11% (from 12%) effective July 1, 2019. The corporate tax rate will further decrease to 10% on January 1, 2020, 9% on January 1, 2021 and 8% on January 1, 2022.

[3] Quebec's general corporate income tax rate decreased to 11.6% effective January 1, 2019 and will further decrease to 11.5% effective January 1, 2020.

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 and enacted as of June 30, 2019:

Tax Rates for Active Business Income Earned by a CCPC Eligible for the Small Business Deduction Substantively Enacted and Enacted as of June 30, 2019[1]

	2019	2020 and beyond
Federal rate[2]	9.0%	9.0%
Provincial rates		
British Columbia	2.0%	2.0%
Alberta	2.0%	2.0%
Saskatchewan[3]	2.0%	2.0%
Manitoba[4]	0.0%	0.0%
Ontario	3.5%	3.5%
Quebec[5]	6.0%	5.0/4.0%
New Brunswick	2.5%	2.5%
Nova Scotia	3.0%	3.0%
Prince Edward Island[6]	3.5%	3.5%
Newfoundland and Labrador	3.0%	3.0%
Territorial rates		
Yukon	2.0%	2.0%
Northwest Territories	4.0%	4.0%
Nunavut	4.0%	4.0%

[1] The rates in the table are substantively enacted as at June 30, 2019 for ASPE and IFRS purposes and are also enacted as at June 30, 2019 for U.S. GAAP purposes.

[2] The federal government decreased the small business income tax rate to 9% (from 10%) effective January 1, 2019.

[3] Saskatchewan increased its small business threshold to $600,000 (from $500,000) effective January 1, 2018. Therefore, Saskatchewan's combined tax rate on active business income between $500,000 and $600,000 is 17% (i.e., 15% federally and 2% provincially).

[4] Manitoba increased its small business income threshold to $500,000 (from $450,000) effective January 1, 2019.

[5] Quebec decreased its small business income tax rate to 6% (from 7%) effective January 1, 2019. The rate will further decrease to 5% in 2020 and 4% in 2021. The rate reductions will be effective January 1 of each year. Quebec's earlier decrease in its small business income tax rate to 7% (from 8%), effective March 28, 2018 was also substantively enacted in 2019. Quebec's small business deduction is generally available to corporations only if their employees were paid for at least 5,500 hours in the taxation year or if their employees and those of their associated corporations were paid for at least 5,500 hours in the previous taxation year, to a maximum of 40 hours a week per employee (excluding the hours paid to a subcontractor). 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 if they meet certain criteria. The maximum rate of the additional deduction as at January 1, 2019 is 2%, and will be gradually reduced until it is eliminated. The rate will decrease to 1% on January 1, 2020 and nil on January 1, 2021.

[6] Prince Edward Island decreased its small business tax rate to 3.5% (from 4%) effective January 1, 2019.

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, 2019

The tables below provide more information on selected 2019 federal and provincial corporate income tax measures that may have an impact on your June 30, 2019 financial statements.

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

Federal tax legislation

Federal Bill C-97	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
April 8, 2019	June 21, 2019

Federal Bill C-97 includes certain tax measures that were announced in the 2019 federal budget and other previously announced measures, including the enhanced CCA measures announced in the Fall Economic Update.

Federal Bill C-97 includes corporate income tax measures proposed in the 2019 budget to:

- Repeal the use of CCPC's taxable income as a factor when determining its annual eligible expenditure limit under the enhanced SR&ED tax credit
- Introduce new tax measures supporting Canadian journalism including:
    - Qualified donee status
    - A new refundable labour tax credit
    - A new temporary non-refundable tax credit

- Introduce a temporary enhanced first-year CCA of 100% for zero-emission vehicles (new Classes 54 and 55)
- Exclude from “specified corporate income” income from sales of farming products or fishing catches of farming and fishing businesses to arm’s-length purchaser corporations.

Federal Bill C-97 also includes income tax measures proposed in the Fall Economic Update to:

- Accelerate first-year CCA by allowing full expensing of eligible manufacturing and processing equipment acquired after November 20, 2018 and available for use before 2024 (gradually phased out for assets that become available for use in 2024 or before 2028)
- Accelerate first-year CCA by allowing full expensing of eligible clean energy equipment acquired after November 20, 2018 and available for use before 2024 (gradually phased out for assets that become available for use in 2024 or before 2028)
- Introduce accelerated first-year CCA for all other eligible assets (tangible and intangible) acquired after November 20, 2018 and available for use before 2028
- Introduce an accelerated investment allowance for eligible Canadian Development Expenses and Canadian Oil and Gas Expenses
- Extend the 15% mineral exploration tax credit
- Ensure that business income of communal organizations retains it character when allocated to its members.

In addition, Bill C-97 includes the corporate tax measure from the 2016 federal budget to expand tax support for electric vehicle charging stations and electrical energy storage equipment.

For further details of these measures, see *TaxNewsFlash-Canada* 2019-09, “2019 Federal Budget Highlights” and *TaxNewsFlash-Canada* 2018-47, “Canada Announces Enhanced Capital Cost Allowances”.

Outstanding federal legislation

Outstanding 2019 federal budget measures

Corporate income tax measures announced in the 2019 federal budget that have not yet been tabled in a bill and remain outstanding include measures related to:

- Character conversion transactions
- Mutual funds — Allocation to redeemers methodology
- Foreign affiliate dumping
- Cross-border share lending arrangements
- Transfer pricing (ordering of rules and reassessment period)

For details of these measures, see *TaxNewsFlash-Canada* 2019-09, "2019 Federal Budget Highlights".

Outstanding June 17, 2019 draft legislation

Finance released draft legislation on June 17, 2019 further to its 2019 federal budget proposal to institute a $200,000 annual cap for certain employment stock options that qualify for a stock option deduction as of January 1, 2020. These measures have not yet been included in a bill. Under the proposed legislation, if an employee is not entitled to the stock option deduction, then a qualifying employer may be able to claim a corporate tax deduction that equals the employee's stock option benefit, where certain conditions are met.

For details of these measures, see *TaxNewsFlash-Canada* 2019-29, "Finance Reveals More Details on Stock Option Deduction Cap".

Provincial tax legislation

British Columbia

British Columbia Bill 5	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
April 9, 2019	April 11, 2019

British Columbia Bill 5 implements the corporate tax measures introduced in the province's 2019 budget. This bill makes changes to several existing tax credits, including measures to:

- Enhance the Small Business Venture Capital Tax Credit
- Make the B.C. mining exploration tax credit for individuals and corporations permanent
- Extend the Training Tax Credits for employees and apprentices to the end of 2019
- Extend the Shipbuilding and Ship Repair Industry Tax Credit to the end of 2022.

For further details of the measures from British Columbia's budget, see *TaxNewsFlash-Canada* 2019-03, "Highlights of the 2019 British Columbia Budget".

British Columbia Bill 10	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
April 4, 2019	April 11, 2019

British Columbia Bill 10 introduces a new tax credit for liquid natural gas development in the province. This natural gas tax credit will be effective for taxation years beginning on or after January 1, 2020. Qualifying corporations may be able to use this tax credit to reduce their provincial corporate income tax rate to as low as 9% (from 12%).

For further details of British Columbia Bill 10, see *TaxNewsNow*, "B.C. Bills Receive Royal Assent".

Alberta

Alberta Bill 3	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
May 28, 2019	June 28, 2019

Alberta Bill 3 reduces the general corporate tax rate to 8% (from 12%) over four years. Starting July 1, 2019, the general corporate tax rate decreased to 11% (from 12%), with further 1% rate reductions every year on January 1 until the general corporate tax rate is 8% on January 1, 2022.

For further details, see *TaxNewsFlash-Canada* 2019-25, "Alberta—Corporate Tax Rate Drops to 8% by 2022".

Manitoba

Manitoba Bill 16	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
March 7, 2019	June 3, 2019

Manitoba Bill 16 includes the corporate tax change announced in the province's 2019 budget to reduce the refundable portion of the Manufacturing Investment Tax Credit to 7% (from 8%), effective for qualifying property acquired after June 30, 2019. The non-refundable portion remains at 1%.

This bill also extends the following credits:

- The Film and Video Production Tax Credit — Now permanent (previously, was set to expire on December 31, 2019)
- The Small Business Venture Capital Tax Credit — Extended to December 31, 2022 (from December 31, 2019)
- The Cultural Industries Printing Tax Credit — Extended to December 31, 2020 (from December 31, 2019) and introduces changes to cap the annual maximum tax credit claim at $1.1 million per taxpayer, effective for taxation years ending on or after March 7, 2019
- The Book Publishing Tax Credit — Extended to December 31, 2024 (from December 31, 2019).

For further details of the measures from Manitoba's budget, see *TaxNewsFlash-Canada* 2019-05, "Highlights of the 2019 Manitoba Budget".

Ontario

Ontario Bill 100	
Date “substantively enacted” under ASPE/IFRS	**Date “enacted” under U.S. GAAP**
April 11, 2019	May 29, 2019

Ontario Bill 100 includes the corporate income tax measures announced in Ontario’s 2019 budget. This bill decreases the minimum Ontario labour expenditure required for a business to qualify as a specialized digital game corporation for the purposes of the Ontario Interactive Digital Media Tax Credit to $500,000 (from $1 million), effective for taxation years beginning after April 11, 2019.

For more details of the measures from Ontario’s budget, see KPMG's *TaxNewsFlash-Canada* 2019-17, "Highlights of the 2019 Ontario Budget".

Quebec

Quebec Bill 13	
Date “substantively enacted” under ASPE/IFRS	**Date “enacted” under U.S. GAAP**
May 9, 2018 / February 26, 2019	June 19, 2019

Quebec Bill 13 includes corporate income tax measures announced in Quebec’s 2018 budget and in various bulletins published in 2017. It also re-introduces most of the tax measures that were included in former Bill 175, which died on the order paper when the legislature was dissolved for the October 1, 2018 provincial general election. The former Quebec Bill 175 included measures announced in Quebec’s 2017 budget and in various information bulletins published in 2016 and 2017.

While Bill 13 did not re-introduce the additional CCA measures originally included in former Bill 175, these CCA measures continue to remain substantively enacted as of May 9, 2018 (but are not enacted as they were not part of Bill 13).

Notably, Bill 13 also does not include the accelerated CCA measures announced in the 2018 Quebec Fall Economic Update. These measures have not yet been included in any bill and are not considered substantively enacted for IFRS or ASPE purposes, nor are they enacted for purposes of U.S. GAAP as of June 30, 2019. See the *Quebec 2018 Information Bulletins* section in *Outstanding provincial budget and other corporate income tax measures* for additional details.

The corporate income tax measures in Bill 175 that are re-introduced in Bill 13 continue to be substantively enacted for purposes of IFRS and Accounting Standards for Private Enterprise (ASPE) as of May 9, 2018, the date Bill 175 received first reading. The new corporate income tax measures introduced in Bill 13 that were not previously included in Bill 175 are considered substantively enacted on February 26, 2019. All of these measures are considered enacted for US GAAP purposes on June 19, 2019, the day Bill 13 received Assent.

Corporate tax measures previously included in Bill 175 and re-introduced in Bill 13, which are considered substantively enacted on May 9, 2018 and enacted as of June 19, 2019, includes 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
- Modify dividend rental arrangement rules under synthetic equity arrangements
- Introduce new rules for taxation of switch fund shares
- Introduce new rules relating to the tax treatment of transactions involving emission allowances
- 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 corporations specialized in the production of multimedia titles
  - Refundable tax credit aimed at encouraging the creation of new financial services corporations
- Eliminate a tax exemption for farming and fishing property insurers
- 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.

For more details of the measures included former Quebec Bill 175, see KPMG's *TaxNewsNow*, "Quebec Bill 175—Additional CCA and More".

New corporate tax measures introduced in Bill 13, which are considered substantively enacted on February 26, 2019 and enacted on June 19, 2019, include measures to:

- Reduce the province's small business income tax rate to 7% (from 8%) effective March 28, 2018 (with further reductions effective January 1 of each year to 6% in 2019, 5% in 2020 and 4% in 2021)
- Reduce the rate of the additional deduction available to certain small and medium-sized businesses in the primary and manufacturing sectors in Quebec to 3% (from 4%) effective March 28, 2018 (with further reductions effective January 1 of each year to 2% in 2019, 1% in 2020 and nil in 2021)
- Introduce, enhance, expand, or modify the following tax credits by making changes to:
  - Allow investment projects for developing eligible digital platforms to benefit from the tax holiday for large investment projects

  - Enhance the refundable tax credit for on-the-job-training
  - Introduce a refundable tax credit to encourage qualifying training for workers employed in small and medium-sized businesses
  - Introduce a refundable tax credit to support the digital transformation of print media companies
  - Modify the refundable credit for film dubbing for qualifying corporations
- Modify the refundable tax credit for Quebec film or television production in order to permit certain online video service
- Remove the $350,000 expenditures limit of a qualified production for the purpose of the refundable tax credit for the production of multimedia events of environments presented outside of Quebec
- Extend the refundable tax credit for the production of ethanol in Quebec, the refundable tax credit for cellulosic ethanol production in Quebec and the refundable tax credit for the production of biodiesel fuel in Quebec to March 31, 2023 with certain modifications to the calculation of the credit and the monthly limit
- Introduce a temporary refundable tax credit for pyrolysis oil production in Quebec
- Eliminate the additional deductions for gifts of medicine to charities (i.e., one of the changes included in the province's 2017 Information Bulletin 2017-6 that included changes to harmonize with various federal corporate provisions proposed in the 2017 federal budget)
- Harmonize with various proposed measures announced in the draft legislation released by Finance on September 16, 2016, including 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 more details of the measures included Quebec Bill 13, see KPMG's *TaxNewsNow*, "Quebec Bill 13 Receives First Reading".

New Brunswick

New Brunswick Bill 22	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
May 30, 2019	June 14, 2019

New Brunswick Bill 22 implements the province's 2019 budget announcement that New Brunswick will not parallel federal tax measures to phase out the small business limit for Canadian-controlled private corporations (CCPCs) based on passive investment income. This bill amends the *New Brunswick Income Tax Act* to deem the federal passive investment income grind to the small business limit to be zero for purposes of calculating the New Brunswick small business limit calculation.

For further details of the measures from New Brunswick's budget, see *TaxNewsFlash-Canada* 2019-08, "Highlights of the 2019 New Brunswick Budget".

Nova Scotia

Nova Scotia Bill 136	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
April 4, 2019	April 12, 2019

Nova Scotia Bill 136 implements one of the corporate tax measures introduced in the province's 2019 budget. This bill eliminates the Equity Tax Credit for investments in associations and corporations (other than community economic-development corporations), as of December 31, 2019.

Nova Scotia Bill 139	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
April 4, 2019	April 12, 2019

Nova Scotia Bill 139 implements another corporate tax measure introduced in the province's 2019 budget. This bill introduces the Venture Capital Tax Credit, a non-refundable 15% income tax credit on qualifying investments made after March 31, 2019 and before April 1, 2024. The credit may be claimed by corporations and individuals who invest in a Venture Capital Corporation or Funds. This bill also extends the non-refundable Innovation Equity Tax Credit to corporations, effective April 1, 2019.

For further details of the measures from Nova Scotia's budget, see *TaxNewsFlash-Canada* 2019-13, "Highlights of the 2019 Nova Scotia Budget".

Outstanding provincial budget and other corporate income tax measures

The following provincial and territorial tax measures have been announced, but are not substantively enacted for IFRS or ASPE purposes, nor are they enacted for purposes of U.S. GAAP as of June 30, 2019. As such, any corporate income tax rate changes below are not reflected in the June 30, 2019 substantively enacted tax rate tables.

Quebec 2019 budget

Quebec has not yet tabled a bill to enact certain tax changes announced in the province's 2019 budget, including measures to:

- Introduce a refundable credit for small and medium-sized businesses to foster the retention of experienced workers
- Modify the investment thresholds applicable to certain large investment projects
- Harmonize with the federal measures from the 2018 federal Fall Economic Update to accelerate the deduction for Canadian development expenses and Canadian oil and gas property expenses.

For details of the Quebec 2019 budget announcements, see *TaxNewsFlash-Canada* 2019-12, "Highlights of the 2019-2020 Quebec Budget".

Quebec 2018 budget

Quebec has not yet tabled a bill to enact certain tax changes announced in the province's 2018 budget, including measures to harmonize with the federal measures on split income and measures from the 2018 federal budget, including:

- International tax measures governing foreign affiliates
- Measures to prevent taxpayers from sustaining artificial losses using equity-based financial arrangements
- Measures in relation to the stop-loss rule on share repurchase transactions.

For details of the Quebec 2018 budget announcements, see *TaxNewsFlash-Canada* 2018-15, "Highlights of the 2018-2019 Quebec Budget".

Quebec 2019 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax changes announced in the province's 2019 Information Bulletin 2019-7. The bulletin includes corporate tax changes to harmonize with various federal corporate provisions proposed in the 2019 federal budget, among other measures. This information bulletin says Quebec will harmonize with a federal measure to introduce a temporary enhanced first-year CCA of 100% for zero-emission vehicles (new Classes 54 and 55). It will also harmonize with federal measures relating to:

- The modification of the definition of "specified corporate income" to exclude income from sales of farming products or fishing catches of farming and fishing businesses to arm's-length purchaser corporations
- Character conversion transactions
- Transfer pricing (ordering of rules and reassessment period)
- Foreign affiliate dumping amendments
- Modification of the allocation to redeemers methodology for mutual funds.

For further details, see *TaxNewsNow,"* Quebec Announces Tax Harmonization Measures with 2019 Federal Budget*.*

Quebec 2018 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax changes announced in the province's 2018 Information Bulletins 2018-6, 2018-9 and 2018-10. The bulletins include tax changes to harmonize with various federal corporate provisions proposed in the 2018 federal budget and 2018 federal Fall Economic Update, among other measures.

The information bulletins include corporate tax measures to:

- Harmonize with the 2018 federal budget measures to:
  - Extend the accelerated CCA for certain investments in equipment for the generation and conservation of clean energy
  - Change the at-risk rules for tiered limited partnerships, such that the at-risk rules apply to a partnership that is itself a limited partner of another partnership
  - Reduce the small business limit for Canadian-controlled private corporations with passive investment income above a certain threshold.
- Harmonize with federal measures announced at the federal Fall Economic Update to:
  - Allow businesses to write off 100% of eligible capital costs related to machinery and equipment used in manufacturing and processing and clean energy generation equipment in the year the assets are available for use (applicable to assets acquired after November 20, 2018, with a gradual phase-out of the incentive for assets that become available for use after 2023 and before 2028)
  - Introduce a new Accelerated Investment Incentive to allow businesses to claim up to three times the amount of the CCA that normally applies in the first year an asset becomes available for use on other assets (applicable to assets acquired after November 20, 2018, with a gradual phase-out of the incentive for assets that become available for use after 2023 and before 2028)
- Allow businesses to qualify for a 100% CCA deduction in the first year where qualifying intellectual property and general-purpose electronic data processing equipment becomes available for use before 2024 (applicable to assets acquired after December 3, 2018)
- Introduce transitional measures to modify the CCA provisions included in Bill 175 that allow for an additional CCA deduction of 60% applicable to eligible properties acquired after November 20, 2018 and before December 4, 2018
- Introduce a new permanent additional CCA of 30% for qualified investments in manufacturing and processing equipment, clean energy generation equipment, computer hardware and certain intellectual property acquired after December 3, 2018.

For further details, see *TaxNewsNow* "Quebec Announces Tax Harmonization Measures", *TaxNewsFlash-Canada* 2018-52, "Highlights of the 2018 Quebec Fall Economic Update", and *TaxNewsNow* "Quebec Will Align with Federal Passive Income Regime."

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. The bulletin includes tax changes to harmonize with various federal corporate tax 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 the CCA regime.

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.

Prince Edward Island 2019 budget

Prince Edward Island has not yet tabled a bill to enact the corporate tax change announced in the province's 2019 provincial budget to reduce its small business corporate income tax rate to 3.0% (from 3.5%), effective January 1, 2020.

For details of the Prince Edward Island 2019 budget announcements, see *TaxNewsFlash-Canada* 2019-31, "Highlights of the 2019-2020 Prince Edward Island Budget".

Nunavut Bill 26

Nunavut's Bill 26 decreases the small business corporate income tax rate to 3%, effective July 1, 2019. This bill received first reading on May 29, 2019 and second reading on May 30, 2019. However, since Nunavut has a consensus style government, the corporate income tax measure included in Bill 26 is not considered substantively enacted until the bill receives third reading.

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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