KPMG

TaxNewsFlash

Canada

Tax Accounting — 2020 Tax Rates and Other Changes

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If you are involved in preparing financial reports for corporations or other organizations, certain 2020 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 income tax legislation substantively enacted or enacted between July 1, 2020 and December 31, 2020. This publication 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, temporary federal measures intended to provide relief for flow-through share issuers, expanded enhanced first-year CCA for eligible zero-emission vehicles and equipment and Quebec's enhanced CCA measures announced in the 2018 Quebec economic update.

For 2020 tax legislation enacted before July 1, 2020, see *TaxNewsFlash-Canada* 2020-61, "Tax Accounting — Q2 2020 Update"

Substantively enacted and enacted corporate tax rates for 2020

Although the federal general income tax rate for 2020 has not changed, Alberta decreased its general corporate income tax rate on January 1, 2020, and has now also accelerated its previously scheduled decrease in its general corporate income tax rate to 8% (from 10%), which is now effective July 1, 2020. In addition, Quebec decreased its general corporate income tax rate in 2020, pursuant to previously enacted reductions to take place each year from 2017 through 2020. Nova Scotia also decreased its general corporate income tax rate effective April 1, 2020. For 2020 and future years, both the federal and remaining provincial general corporate income tax rates will remain unchanged for all provinces.

The federal small business income tax rate has not changed in 2020. However, the small business income tax rates in Ontario, Quebec, Nova Scotia, Prince Edward Island and Saskatchewan decreased in 2020. The small business income tax rate decrease in Saskatchewan is temporary, and is currently scheduled to gradually return to its original rate by July 1, 2023. The small business income tax rates in Quebec, Prince Edward Island and Yukon will decrease effective January 1, 2021. Although the Northwest Territories has announced that it will also decrease its small business income tax rate effective January 1, 2021, this measure was not substantively enacted or enacted as of December 31, 2020.

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 December 31, 2020:

Tax Rates for Active Business Income Earned by a General Corporation Substantively Enacted and Enacted as of December 31, 2020[1]		
	2020	**2021 and beyond**
Federal rate	15.0%	15.0%
Provincial rates		
British Columbia	12.0%	12.0%
Alberta[2]	10.0/8.0%	8.0%
Saskatchewan	12.0%	12.0%
Manitoba	12.0%	12.0%
Ontario	11.5%	11.5%
Quebec[3]	11.5%	11.5%
New Brunswick	14.0%	14.0%
Nova Scotia[4]	16.0/14.0%	14.0%
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 December 31, 2020 for ASPE and IFRS purposes and are also enacted as at December 31, 2020 for U.S. GAAP purposes.
[2] Alberta's general corporate income tax rate decreased to 10% (from 11%) effective January 1, 2020. The province further reduced its general corporate income tax rate to 8% (from 10%), effective July 1, 2020.
[3] Quebec's general corporate income tax rate decreased to 11.5% (from 11.6%) effective January 1, 2020.
[4] Nova Scotia's general corporate income tax rate decreased to 14% (from 16%) effective April 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 December 31, 2020:

Tax Rates for Active Business Income Earned by a CCPC Eligible for the Small Business Deduction Substantively Enacted and Enacted as of December 31, 2020[1]

	2020	**2021 and beyond**
Federal rate	9.0%	9.0%
Provincial rates		
British Columbia	2.0%	2.0%
Alberta	2.0%	2.0%
Saskatchewan[2]	2.0%/0.0%	0.0%/1.0%/2.0%
Manitoba	0.0%	0.0%
Ontario[3]	3.2%	3.2%
Quebec[4]	5.0%	4.0%
New Brunswick	2.5%	2.5%
Nova Scotia[5]	3.0/2.5%	2.5%
Prince Edward Island[6]	3.0%	2.0%
Newfoundland and Labrador	3.0%	3.0%
Territorial rates		
Yukon[7]	2.0%	0.0%
Northwest Territories[8]	4.0%	4.0%
Nunavut	3.0%	3.0%

[1] The rates in the table are substantively enacted as at December 31, 2020 for ASPE and IFRS purposes and are also enacted as at December 31, 2020 for U.S. GAAP purposes.
[2]Saskatchewan has temporarily reduced the province's small business income tax rate to 0% (from 2%) effective October 1, 2020 to June 30, 2022. The small business income tax rate will increase to 1% (from 0%) beginning July 1, 2022 and will be further increased to 2% (from 1%) beginning July 1, 2023. The small business threshold is $600,000 in Saskatchewan. Therefore, Saskatchewan's combined income tax rate on active business income between $500,000 and $600,000 is 17% (i.e., 15% federally and 2%

provincially) until September 30, 2020 and 15% (i.e., 15% federally and 0% provincially) effective October 1, 2020 to June 30, 2022.
[3]Ontario decreased its small business income tax rate to 3.2% (from 3.5%) effective January 1, 2020.
[4]Quebec decreased its small business income tax rate to 5% (from 6%) effective January 1, 2020. The rate will further decrease to 4% effective January 1, 2021. 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 (proportionally reduced for short taxation years) 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). The small business deduction is reduced linearly between 5,500 and 5,000 hours, and falls to zero at 5,000 hours. 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 rate of the additional deduction was reduced to 1% (from 2%) effective January 1, 2020 and will be eliminated effective January 1, 2021.
[5] Nova Scotia decreased its small business income tax rate to 2.5% (from 3%) effective April 1, 2020.
[6] Prince Edward Island decreased its small business income tax rate to 3% (from 3.5%) effective January 1, 2020. The small business income tax rate will further decrease to 2%, effective January 1, 2021.
[7] Yukon will decrease its small business income tax rate to 0% (from 2%) effective January 1, 2021.
[8] Northwest Territories announced that it will decrease the territory's small business income tax rate to 2% (from 4%) effective January 1, 2021. However, this measure is not substantively enacted as at December 31, 2020.

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, 2020

The tables below provide more information on selected 2020 federal and provincial corporate income tax measures that may have an impact on your December 31, 2020 financial statements.

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

Federal legislation

Canada Emergency Wage Subsidy

The government has revised the Canada Emergency Wage Subsidy several times since June 30, 2020, including to replace the amount of the subsidy with a new two-part "base" and "top-up" amount which vary depending on the eligible entity's revenue decline, for periods beginning July 5, 2020. Bill C-20, which was enacted on July 27, 2020, included these and other technical changes, and provided further details of the CEWS for the periods up to November 21, 2020. Bill C-9, which was enacted on November 19, 2020, further extended the subsidy through to June 2021, adjusted the maximum subsidy for the

October 25, 2020 to November 21, 2020 period, and set the maximum subsidy for the November 22, 2020 to December 19, 2020 period, among other technical changes. The government also announced further details of the subsidy for the periods December 20, 2020 to March 13, 2021, as part of its Federal Fall Economic Update, on November 30, 2020. Regulations to enact these changes were published in the Canada Gazette, Part II on January 6, 2021.

For further details of these measures, see *TaxNewsFlash-Canada* 2020-64 "Canada Enacts Wage Subsidy Extension and Enhancements", *TaxNewsFlash-Canada* 2020-80 "Canada Provides Details on Latest Wage Subsidy Changes" and *TaxNewsFlash-Canada* 2020-87 "Highlights of the 2020 Federal Fall Economic Update".

Canada Emergency Rent Subsidy

Bill C-9, which was enacted on November 19, 2020, also introduced the new Canada Emergency Rent Subsidy (CERS). This subsidy, which is available until June 2021, subsidizes a percentage of eligible expenses incurred by businesses, eligible charities and non-profits that have suffered a specified revenue drop. Eligible expenses for a qualifying period may include (with exceptions) commercial rent, property taxes, property insurance and interest on commercial mortgages (subject to limits). Further, the bill includes the new Lockdown Support Subsidy of 25% of eligible expenses for organizations temporarily shut down due to a mandatory public health order issued by a qualifying public health authority. The government also introduced new legislation to adjust the rules to allow eligible entities to claim the CERS and Lockdown Support Subsidy on certain eligible expenses when they are due rather than when they are paid, if certain conditions are met. These adjustments are included in Bill C-14, which received first reading on December 2, 2020.

For further details of these measures, see *TaxNewsFlash-Canada* 2020-79 "Canada Launches Rent Subsidy Support for Businesses", *TaxNewsFlash-Canada* 2020-83 "Organizations — Apply Now for Rent Subsidy Support" and *TaxNewsNow* "New legislation provides CERS timing clarity & Child Benefit boost".

Outstanding federal legislation

The following federal corporate tax measures have been announced, but have not been included in a bill and are not substantively enacted for IFRS or ASPE purposes, nor are they enacted for purposes of U.S. GAAP as of December 31, 2020.

Flow-through share issuers — December 16, 2020 draft legislation

Finance released draft legislation to temporarily give eligible junior mining exploration companies and other flow-through issuers an additional 12 months to spend the capital they raise via flow-through shares. The draft legislation gives these eligible companies 36 months (up from 24 months) to incur eligible flow-through share expenses, under the general rule. This extension applies to flow-through share agreements that an eligible company entered into after February 2018 and before 2021. The draft legislation also provides flow-through share issuers an additional 12 months to incur eligible renounced expenses under the look-back rule, for agreements entered into in 2019 or 2020.

The legislation also provides some relief for Part XII.6 tax, which generally applies to eligible Canadian exploration expenses that are renounced before they are incurred under the "look-back rule".

For further details of these measures, see *TaxNewsNow* "Finance pushes ahead with relief for flow-through share issuers".

Capital cost allowance for zero-emission vehicles — December 15, 2020 draft legislation

Finance released draft legislation to expand the temporary first-year 100% capital cost allowance (CCA) rate on eligible zero-emission vehicles and equipment to include a wider range of eligible automotive equipment and vehicles. Under the proposed legislation, this enhanced rate will apply to qualifying used and off-road automotive vehicles and equipment that do not currently benefit from the enhanced CCA rate. The 100% CCA rate will gradually phase out for vehicles and equipment that become available for use after 2023, until it eventually expires in 2028. Taxpayers will only be able to claim the enhanced allowance for the taxation year in which a qualifying vehicle is first available for use.

The draft legislation was released on December 15, 2020, and will be effective retroactive to March 2, 2020.

For further details of these measures, see *TaxNewsNow* "Zero-emission vehicles – Finance drives ahead CCA expansion".

Federal Fall Economic Update – November 30, 2020

Finance's 2020 Fall Economic Update included revised draft legislation to implement the 2019 federal budget proposal to institute a $200,000 annual cap for certain employee stock options that qualify for the stock option deduction. 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. Although the revised legislation largely follows the draft legislation for these rules released in June, 2019, it now includes a new exception from the rules for non-CCPCs whose annual gross revenue does not exceed $500 million. The revised legislation also indicates that the new rules would apply to employee stock options granted after June 2021.

The Update also included draft legislation to extend the tax deferral on eligible shares (as patronage dividends) paid by a qualifying agricultural cooperative to its members. The draft legislation extends the tax deferral to eligible shares issued before 2026.

For details of these and other measures included in the Update, see *TaxNewsFlash-Canada* 2020-87 “Highlights of the 2020 Federal Fall Economic Update”.

Canadian Journalism Labour Tax Credit — April 17, 2020 draft legislation

Finance released draft legislation on April 17, 2020 to modify and clarify the 25% Canadian Journalism Labour Tax Credit, enacted in June 2019. The proposed changes, which would apply retroactively to January 1, 2019, update the eligibility requirements for the credit, allow active partners of an eligible partnership to claim the credit, prorate the credit where an organization only qualifies for part of a taxation year and allow organizations that receive funding from Aid to Publishers to qualify, among other considerations. The measures in the draft legislation have not yet been included in a bill.

For details of these measures, see *TaxNewsFlash-Canada* 2020-43 “Canadian News Media — Labour Tax Credit Expanded”.

2019 federal budget tax legislation

Finance released draft legislation on July 30, 2019 to implement outstanding tax measures from the 2019 federal budget. The draft legislation also includes amendments to clarify the accelerated investment incentive for resource expenditures and depreciable property that were enacted in June 2019. The measures in the draft legislation have not yet been included in a bill.

The draft legislation includes corporate tax measures proposed in the 2019 budget regarding:

- 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” and *TaxNewsNow*, ”Finance Releases Draft Legislation for Budget Bill #2”.

Provincial tax legislation

Alberta

Alberta Bill 35	
Date “substantively enacted” under ASPE/IFRS	**Date “enacted” under U.S. GAAP**
October 20, 2020	December 9, 2020

Alberta Bill 35 reduces Alberta's general corporate income tax rate to 8% (from 10%), effective July 1, 2020. Previously, the general corporate income tax rate was not scheduled to decrease to 8% until January 1, 2022. The bill also introduces the Innovation Employment Grant that provides a refundable tax credit to certain small and medium-sized Alberta-based companies that invest in research and development (R&D) after December 31, 2020.

For further details on Alberta's economic recovery plan, see *TaxNewsFlash-Canada* 2020-59, "Alberta Drops Corporate Tax Rate to 8% — Effective July 1", *TaxNewsNow*, "Alberta's corporate tax rate drop to 8% — Now law" and *TaxNewsNow*, "Alberta's accelerated corporate tax rate drop to 8% — Now substantively enacted".

British Columbia

British Columbia Bill 4	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
July 28, 2020	August 14, 2020

British Columbia Bill 4 includes corporate income tax measures announced in the province's 2020 budget, including administrative amendments applicable for corporate taxpayers intending to claim the film production services tax credit and an extension of training tax credits to the end of 2022 (from 2019).

For further details, see *TaxNewsFlash-Canada* 2020-04, "Highlights of the 2020 British Columbia Budget" and *TaxNewsNow*, "2020 British Columbia budget bill receives royal assent".

Manitoba

Manitoba Bill 2	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
March 19, 2020	November 6, 2020

Manitoba Bill 2 includes certain corporate tax measures announced in the province's 2020 budget. These measures were originally included in Manitoba's previous Bill 34, which died on the order paper when the provincial legislature was prorogued on October 6, 2020. The corporate income tax measures reintroduced in Bill 2 continued to be substantively enacted for IFRS and ASPE purposes on March 19, 2020, the date that Bill 34 received first reading. This bill makes changes to several existing tax credits, including measures to:

- Make the Manufacturing Investment Tax Credit permanent
- Enhance the Child Care Center Development Tax Credit

- Enhance the Film and Video Production Tax Credit
- Extend the Mineral Exploration Tax Credit to December 31, 2023
- Extend the Cultural Industries Printing Tax Credit to December 31, 2021
- Extend the Community Enterprise Development Tax Credit to December 31, 2021

For further details, see *TaxNewsFlash-Canada* 2020-20, "Highlights of the 2020 Manitoba Budget" and *TaxNewsNow*, "Manitoba budget bill receives royal assent".

Ontario

Ontario Bill 229	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
November 5, 2020	December 8, 2020

Ontario Bill 229 includes several corporate income tax measures from the 2020 Ontario budget to temporarily adjust deadline and other requirements related to the following credits:

- Ontario Interactive Digital Media Tax Credit
- Ontario Book Publishing Tax Credit
- Ontario Research and Development Tax Credit

For further details, see *TaxNewsFlash-Canada* 2020-78, "Highlights of the 2020 Ontario Budget" and *TaxNewsNow*, "Ontario enacts several tax measures from 2020 budget".

Prince Edward Island

Prince Edward Island Bill 58	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
July 14, 2020	July 14, 2020

Prince Edward Island's Bill 58 introduces the province's 2020 budget measure to reduce its small business corporate income tax rate to 2% (from 3%), effective January 1, 2021. The tax rate reduction is prorated for taxation years straddling January 1, 2021.

For further details, see *TaxNewsFlash-Canada* 2020-57, "Highlights of the 2020 P.E.I. Budget" and *TaxNewsNow*, "2020 P.E.I. budget bill receives royal assent".

Quebec

Quebec Bill 74	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
December 2, 2020	Not enacted

Quebec Bill 74 contains measures previously announced in Quebec's 2020 budget and in various information bulletins published in 2017, 2018, 2019 and 2020. Quebec Bill 74 includes corporate measures to:

- Introduce a new refundable tax credit for investments and innovation
- Extend the time limit for submitting or amending applications for initial qualification certificates for Quebec's tax holiday for large investment projects
- Introduce a new incentive deduction for the commercialization of innovations in Quebec
- Eliminate the exclusion threshold for certain income tax credits for research and development
- Introduce a new refundable tax credit for employer contributions in respect of persons with a severely limited capacity for employment
- Amend the Quebec film or television production refundable tax credit rules
- Raise the limit on labour expenditures eligible for the refundable tax credit for sound recordings
- Raise the limit of the qualified labour expenditures for the refundable tax credit for the production of performances
- Amend the eligibility requirement for the refundable tax credits for multimedia titles
- Amend the eligibility requirements for the tax credits for development of e-business
- Introduce three new entities which will be subject to compensation tax for financial institutions at specific rates
- Eliminate the deduction for innovative manufacturing corporations for corporations whose taxation year begins after December 31, 2020
- Extend the income-averaging mechanism for certified forest producers of private forests for a five-year period, and increase the carry-over period to ten years

- Extend the provincial manufacturing and processing equipment tax credit to certain property acquired before January 1, 2021
- Introduce a temporary adjustment to the calculation of remunerated hours for the small business deduction to mitigate the effects of temporary business suspensions due to the COVID-19 pandemic.
- Introduce a new 35% refundable tax credit on qualified wages for print media companies, and expand the credit for 2019 only, so that certain subsidiaries may be considered as "eligible employees"
- Extend the eligibility for the refundable tax credit to support digital transformation of print media companies to December 31, 2023 (from December 31, 2022)
- Amend the refundable tax credits for the production of Multimedia titles
- Allow any provision recorded in connection with the redemption of retractable or mandatory redeemable shares to be included in the calculation of tax paid-up capital (regardless of financial statement presentation).

Quebec Bill 74 enacts harmonization measures that were announced in Information Bulletins published in 2017, 2018 and 2019, including those regarding:

- 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
- Change to 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
- Elimination of the billed-basis accounting elections
- Changes related to reverse takeovers of trusts or partnerships by a loss corporation

For details of all corporate tax measures announced in the Quebec 2020 budget, see *TaxNewsFlash-Canada* 2020-08, "Highlights of the 2020-2021 Quebec Budget". For details of the temporary change to the calculation of remunerated hours for the small business deduction, see *TaxNewsNow*, "Quebec offers small business relief & tax credit changes".

Quebec Bill 42	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
May 9, 2018 / November 7, 2019	September 24, 2020

Quebec Bill 42 contains measures previously announced in Quebec's 2019 budget and in various information bulletins published in 2017, 2018 and 2019. Quebec Bill 42 received Assent on September 24, 2020 and therefore the corporate tax measures included in the bill are considered enacted for purposes of U.S. GAAP as of September 24, 2020.

Corporate tax measures re-introduced in Bill 42 (first introduced in the former Bill 175)

Quebec Bill 42 re-introduces additional CCA measures for certain eligible property acquired after March 28, 2017 or after March 27, 2018, which were originally included in former Quebec Bill 175. Former Quebec Bill 175 died on the order paper ahead of Quebec's provincial general election on October 1, 2018, but these measures are considered to be substantively enacted for purposes of IFRS and Accounting Standards for Private Enterprise (ASPE) as of May 9, 2018, the date former Quebec Bill 175 received first reading. The corporate tax measures re-introduced in Bill 42 are enacted for U.S. GAAP purposes as of September 24, 2020.

The re-introduced measures allow additional CCA of 35% or 60%. More specifically, these measures provide that a taxpayer may deduct an additional 35% CCA where certain property is acquired after March 28, 2017, but before March 28, 2018 (included in former Quebec Bill 175). Further, these measures allow a taxpayer to deduct an additional 60% CCA where certain property is acquired after March 27, 2018 (included in former Quebec Bill 175). Quebec Bill 42 further clarifies that the additional 60% CCA deduction only applies to property acquired before December 4, 2018 or before July 1, 2019, if the property was acquired pursuant to an obligation in writing entered into before December 4, 2018, or the construction of the property, by or on behalf of the taxpayer, began before December 4, 2018.

Corporate tax measures included in Bill 42 (that were not in the former Bill 175)

Quebec Bill 42 also introduces corporate tax measures that were not included in former Quebec Bill 175, and that are substantively enacted as of November 7, 2019, the date Quebec Bill 42 received first reading and enacted as of September 24, 2020 the date the bill received Assent. Specifically, Quebec Bill 42 includes corporate tax measures to:

- Introduce an additional 30% CCA on certain depreciable property acquired after December 3, 2018 and indicates that a separate class will be created for all property subject to the additional 30% CCA (i.e., Class 43.1, 43.2, 50, 53, 14, 14.1 and 44).

- Reduce the capital investment threshold applicable to a large investment project carried out in a remote region, from $75,000,000 to $50,000,000, where the initial qualification certificate is filed after March 21, 2019

- Introduce the sustainable development certification allowance under the *Mining Tax Act.*

Quebec Bill 42 introduces and amends several tax credits, including:

- A temporary enhancement of the refundable tax credit for investments relating to manufacturing and processing equipment
- A new refundable tax credit for small and medium-sized businesses to foster the retention of experienced workers
- Amendments to the refundable tax credit for reporting of tips.

Quebec Bill 42 enacts harmonization measures that were announced in Information Bulletins published in 2017 and 2018, including those that:

- Reduce the small business limit for CCPCs with passive investment income above $50,000
- Allow switch fund corporations and segregated funds to reorganize on a tax-deferred basis, in certain circumstances
- Clarify the concept of "factual control"
- Extend the base erosion rules to foreign branches of life insurers
- Amend the dividend stop-loss rule on share repurchase transactions.

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

For more details of the measures included Quebec Bill 42, see *TaxNewsNow*, "Quebec Bill 42 Receives First Reading".

Saskatchewan

Saskatchewan Bill 2	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
December 7, 2020	December 10, 2020

Saskatchewan's Bill 2 temporarily reduces the province's small business income tax rate for the three years. Specifically, the bill implements the following measures:

- Reduce the small business income tax rate to 0% (from 2%) beginning October 1, 2020
- Increase the small business income tax rate to 1% (from 0%) beginning July 1, 2022

- Increase the small business income tax rate back to 2% (from 1%) beginning July 1, 2023

For further details on Saskatchewan's temporary small business rate drop see *TaxNewsNow*, "Saskatchewan enacts temporary small business tax rate drop".

Saskatchewan Bills 209 and 210	
Date "substantively enacted" under ASPE/IFRS	**Date "enacted" under U.S. GAAP**
June 17, 2020	July 3, 2020

Saskatchewan's Bills 209 and 210 implement corporate tax measures announced in the province's 2020 budget. These bills introduce measures to:

- Extend the non-refundable Manufacturing and Processing Exporter Tax Incentive by three years to 2022 (Bill 210)
- Introduce a new Chemical Fertilizer Incentive in the form of a 15% tax credit (Bills 209 and 210)

For further details on Saskatchewan's 2020 Budget, see *TaxNewsFlash-Canada* 2019-56, "Highlights of Saskatchewan's 2020 Budget".

Outstanding provincial budget and other corporate income tax measures

The following provincial and territorial corporate income 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 December 31, 2020.

Northwest Territories

Northwest Territories Bill 16 reduces the small business corporate income tax rate to 2% (from 4%), effective January 1, 2021. This bill received first reading on October 30, 2020 and second reading on November 2, 2020. However, since the Northwest Territories has a consensus-style government, this tax measure is not considered substantively enacted until the bill receives third reading (which it had not received as of December 31, 2020).

Quebec

Quebec 2020 budget

Quebec has not yet tabled a bill to enact certain tax changes announced in the province's 2020 budget, including measures to:

- Introduce a new non-refundable synergy capital tax credit for qualified investors that subscribe for shares of qualified corporations in certain sectors

- Eliminate the refundable tax credit relating to IT integration

- Eliminate the tax-free reserve for Quebec shipowners.

For details of all corporate tax measures announced in the Quebec 2020 budget, see *TaxNewsFlash-Canada* 2020-08, "Highlights of the 2020-2021 Quebec Budget".

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 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 prevent taxpayers from sustaining artificial losses using equity-based financial arrangements.

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

Quebec 2020 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax changes announced in provincial Information Bulletins 2020-12 and 2020-15.

Information bulletin 2020-12 announces harmonization measures with certain federal changes. Specifically, Quebec will harmonize with federal measures to:

- Grant an additional 12-month time limit to corporations that issue flow-through shares to spend the capital obtained by means of the issuance of such shares

- Amend the accelerated investment incentive for resource-related expenditures and depreciable assets

- Amend the enhanced CCA rate for certain zero-emission vehicles for the year in which they become available for use

- Grant a temporary enhanced CCA rate for certain zero-emission automotive vehicles and equipment that do not already benefit from the temporary 100% enhanced CCA rate for the year in which they become available for use.

The information bulletin 2020-15 announces measures to:

- Change the incentive deduction for the commercialization of innovations in Quebec (IDCI) by amending the definition of “qualified intellectual property asset” to remove the requirement that it results from R&D activities carried out in whole or in part in Quebec, and make related changes in computing the deduction for the IDCI (asoriginally introduced in the Quebec 2020 budget and included in Bill 74)

- Adjust certain definitions to determine whether a journalism organization can be recognized as a registered journalism organization and thus benefit from the income tax exemption and qualified donee status

- Legislative changes to the eligibility for the refundable tax credits to support print media companies and the digital transformation of print media companies.

Quebec 2019 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax changes announced in the province’s Information Bulletin 2019-7. This bulletin includes corporate tax changes to harmonize with federal proposals in the 2019 federal budget, among other measures. Quebec will harmonize with federal measures related to:

- Foreign affiliate dumping amendments

- Transfer pricing (ordering of rules and reassessment period)

- 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 and 2018-9. The bulletins include tax changes to harmonize with various federal corporate tax provisions proposed in the 2018 federal budget and 2018 federal Fall Economic Update, among other measures.

The information bulletins include corporate tax measures to:

- Extend the accelerated CCA for certain investments in equipment for the generation and conservation of clean energy (harmonization with 2018 federal budget measures)

- 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 (harmonization with 2018 federal Fall Economic Update)

- 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 (harmonization with 2018 federal Fall Economic Update)

- 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.

For further details, see *TaxNewsNow* "Quebec Announces Tax Harmonization Measures", and *TaxNewsFlash-Canada 2018-52,* "Highlights of the 2018 Quebec Fall Economic Update".

Quebec 2017 Information Bulletin

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:

- Introduce a new anti-avoidance rule to target straddle transactions that allow taxpayers to selectively realize gains and losses on derivatives

- Re-classify expenses renounced to flow-through share investors

The bulletin also includes tax changes to harmonize with the new rules for banks and Federal Credit Union allocations to other provinces announced in the draft legislation released by Finance on September 16, 2016.

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.
