

Notice of Ways and Means Motion to amend the *Income Tax Act* and the *Income Tax Regulations*

That it is expedient to amend the *Income Tax Act* and the *Income Tax Regulations* as follows:

1 (1) Subsection 66.2(2) of the *Income Tax Act* is amended by striking out “and” at the end of paragraph (b), by adding “and” at the end of paragraph (c) and by adding the following after paragraph (c):

(d) the amount determined by the formula

$$A(B - C)$$

where

A is

(i) for taxation years that end before 2024, 15%,

(ii) for taxation years that begin before 2024 and end after 2023, the amount determined by the formula

$$0.15(I/J) + 0.075(K/J)$$

where

I is the total of all accelerated Canadian development expenses incurred by the taxpayer before 2024 and in the taxation year,

J is the total of all accelerated Canadian development expenses incurred by the taxpayer in the taxation year, and

K is the total of all accelerated Canadian development expenses incurred by the taxpayer after 2023 and in the taxation year, and

(iii) for taxation years that begin after 2023, 7.5%,

B is the total of all accelerated Canadian development expenses incurred by the taxpayer in the taxation year, and

C is the amount determined by the formula

$$(D - E) - (F - G - H)$$

where

D is the total of the amounts determined for E to O in the definition *cumulative Canadian development expense* in subsection (5) at the end of the taxation year,

E is the total of the amounts determined for E to O in the definition *cumulative Canadian development expense* in subsection (5) at the end of the preceding taxation year,

F is the total of the amounts determined for A to D.1 in the definition *cumulative Canadian development expense* in subsection (5) at the end of the taxation year,

G is the total of the amounts determined for A to D.1 in the definition *cumulative Canadian development expense* in subsection (5) at the end of the preceding taxation year, and

H is the amount determined for B.

(2) Subsection 66.2(5) of the Act is amended by adding the following in alphabetical order:

accelerated Canadian development expense, of a taxpayer, means any cost or expense incurred by the taxpayer during the taxation year if the cost or expense

(a) qualifies as a Canadian development expense at the time it is incurred, other than

(i) an expense in respect of which the taxpayer is a *successor*, within the meaning of subsection 66.7(4), and

(ii) a cost in respect of a Canadian resource property acquired by the taxpayer, or a partnership in which the taxpayer is a member, from a person or partnership with which the taxpayer does not deal at arms length,

(b) is incurred after November 20, 2018 and before 2028, other than expenses deemed to have been incurred on December 31, 2027 because of subsection 66(12.66), and

(c) if the Canadian development expense is deemed to be a Canadian development expense incurred by the taxpayer because of paragraph 66(12.63)(a), is an amount renounced under an agreement entered into after November 20, 2018; (*frais d'aménagement au Canada accélérés*)

2 (1) Subsection 66.4(2) of the Act is amended by striking out “and” at the end of paragraph (a), by adding “and” at the end of paragraph (b) and by adding the following after paragraph (b):

(c) the amount determined by the formula

$$A(B - C)$$

where

A is

(i) for taxation years that end before 2024, 5%,

(ii) for taxation years that begin before 2024 and end after 2023, the amount determined by the formula

$$0.05(I/J) + 0.025(K/J)$$

where

I is the total of all accelerated Canadian oil and gas property expenses incurred by the taxpayer before 2024 and in the taxation year,

J is the total of all accelerated Canadian oil and gas property expenses incurred by the taxpayer in the taxation year, and

K is the total of all accelerated Canadian oil and gas property expenses incurred by the taxpayer after 2023 and in the taxation year, and

(iii) for taxation years that begin after 2023, 2.5%,

B is the total of all accelerated Canadian oil and gas property expenses incurred by the taxpayer in the taxation year, and

C is the amount determined by the formula

$$(D - E) - (F - G - H)$$

where

D is the total of the amounts determined for E to J in the definition *cumulative Canadian oil and gas property expense* in subsection (5) at the end of the taxation year,

E is the total of the amounts determined for E to J in the definition *cumulative Canadian oil and gas property expense* in subsection (5) at the end of the preceding taxation year,

F is the total of the amounts determined for A to D.1 in the definition *cumulative Canadian oil and gas property expense* in subsection (5) at the end of the taxation year,

G is the total of the amounts determined for A to D.1 in the definition *cumulative Canadian oil and gas property expense* in subsection (5) at the end of the preceding taxation year, and

H is the amount determined for B.

(2) Subsection 66.4(5) of the Act is amended by adding the following in alphabetical order:

accelerated Canadian oil and gas property expense, of a taxpayer, means any cost or expense incurred by the taxpayer during the taxation year, if the cost or expense

- (a) qualifies as a Canadian oil and gas property expense at the time it is incurred, other than
 - (i) an expense in respect of which the taxpayer is a *successor*, within the meaning of subsection 66.7(5), and
 - (ii) a cost in respect of a Canadian resource property acquired by the taxpayer, or a partnership in which the taxpayer is a member, from a person or partnership with which the taxpayer does not deal at arm's length, and
- (b) is incurred after November 20, 2018 and before 2028; (*frais à l'égard de biens canadiens relatifs au pétrole et au gaz accélérés*)

3 (1) Subparagraph 1100(1)(b)(i) of the *Income Tax Regulations* is replaced by the following:

- (i) if the capital cost of the property was incurred in the taxation year and after November 12, 1981,
 - (A) if the property is an accelerated investment incentive property and the capital cost of the property was incurred before 2024, the lesser of
 - (I) 150 per cent of the amount for the year calculated in accordance with Schedule III, and
 - (II) the amount determined for paragraph 1(b) of Schedule III, and
 - (B) if the property is not an accelerated investment incentive property and is not described in any of subparagraphs (b)(iii) to (v) of the description of R in subsection (2), 50 per cent of the amount for the year calculated in accordance with Schedule III, and

(2) Subparagraph 1100(1)(c)(i) of the *Regulations* is replaced by the following:

- (i) the total of
 - (A) the aggregate of the amounts for the year obtained by apportioning the capital cost to the taxpayer of each property over the life of the property remaining at the time the cost was incurred, and
 - (B) if the property is accelerated investment incentive property, the portion of the amount determined under clause (A) that is in respect of the property multiplied by
 - (I) 0.5, if the property becomes available for use in the year and before 2024, and
 - (II) 0.25, if the property becomes available for use in the year and after 2023, and

(3) Subparagraph 1100(1)(v)(iv) of the *Regulations* is replaced by the following:

- (iv) the capital cost of the property to the taxpayer multiplied by
 - (A) 50 per cent, in the case of an accelerated investment incentive property acquired in the year and before 2024,
 - (B) 16 2/3 per cent, in the case of property acquired in the year, other than
 - (I) accelerated investment incentive property, and
 - (II) property described in any of subparagraphs (b)(iii) to (v) of the description of R in subsection (2), and
 - (C) 33 1/3 per cent, in any other case, and

(4) Subsection 1100(2) of the *Regulations* is replaced by the following:

(2) The amount that a taxpayer may deduct for a taxation year under subsection (1) in respect of property of a class in Schedule II is to be determined as if the undepreciated capital cost to the taxpayer at the end of the taxation year (before making any deduction under subsection (1) for the taxation year) of property of the class were adjusted by adding the positive or negative amount determined by the formula

$$A(B) + C(D) + E(F) + G(H) - 0.5(I)$$

where

A is

- (a)** 0.5, in respect of property that becomes available for use before 2024, and
- (b)** 0, in respect of property that becomes available for use after 2023;

B is the amount determined by the formula

$$J - K$$

where

J is the total of all amounts each of which

- (a)** is an amount added to the undepreciated capital cost to the taxpayer of property of a class in Schedule II because of element A in the definition *undepreciated capital cost* in subsection 13(21) of the Act in respect of accelerated investment incentive property that became available for use by the taxpayer in the year, and
- (b)** is not in respect of property included in paragraph (1)(v) or in any of Classes 12, 13, 14, 15, 43.1, 43.2 and 53, and

K is the amount, if any, by which the amount determined for S exceeds the amount determined for R in the description of I;

C is

- (a)** 2 1/3, in respect of property that becomes available for use before 2024,
- (b)** 1 1/2, in respect of property that becomes available for use in 2024 or 2025, and
- (c)** 5/6, in respect of property that becomes available for use after 2025;

D is the amount determined by the formula

$$L - M$$

where

L is the total of all amounts each of which is an amount added to the undepreciated capital cost to the taxpayer of property of Class 43.1 in Schedule II because of element A in the definition *undepreciated capital cost* in subsection 13(21) of the Act in respect of accelerated investment incentive property that became available for use by the taxpayer in the year, and

M is the amount, if any, by which the amount determined for S exceeds the amount determined for R in the description of I;

E is

- (a)** 1, in respect of property that becomes available for use before 2024, and
- (b)** 0.5, in respect of property that becomes available for use in 2024;

F is the amount determined by the formula

$$N - O$$

where

N is the total of all amounts each of which is an amount added to the undepreciated capital cost to the taxpayer of property of Class 43.2 in Schedule II because of element A in the definition *undepreciated capital cost* in subsection 13(21) of the Act in respect of accelerated investment incentive property that became available for use by the taxpayer in the year, and

O is the amount, if any, by which the amount determined for S exceeds the amount determined for R in the description of I;

G is

(a) 1, in respect of property that becomes available for use before 2024,

(b) 1/2, in respect of property that becomes available for use in 2024 or 2025, and

(c) 5/6, in respect of property that becomes available for use after 2025;

H is the amount determined by the formula

$$P - Q$$

where

P is the total of all amounts each of which is an amount added to the undepreciated capital cost to the taxpayer of property of Class 53 in Schedule II, or — for property acquired after 2025 — of Class 43 in Schedule II that would have been included in Class 53 if it had been acquired in 2025, because of element A in the definition *undepreciated capital cost* in subsection 13(21) of the Act in respect of accelerated investment incentive property that became available for use by the taxpayer in the year, and

Q is the amount, if any, by which the amount determined for S exceeds the amount determined for R in the description of I; and

I is the amount determined by the formula

$$R - S$$

where

R is the total of all amounts each of which

(a) is an amount added to the undepreciated capital cost to the taxpayer of property of a class in Schedule II

(i) because of element A in the definition *undepreciated capital cost* in subsection 13(21) of the Act in respect of property (other than accelerated investment incentive property) that was acquired in the year or that became available for use by the taxpayer in the year, or

(ii) because of element C or D in the definition *undepreciated capital cost* in subsection 13(21) of the Act in respect of an amount that was repaid in the year, and

(b) is not in respect of

(i) property included in paragraph (1)(v), in paragraph (w) of Class 10 or in any of paragraphs (a) to (c), (e) to (i), (k), (l) and (p) to (s) of Class 12,

(ii) property included in any of Classes 13, 14, 15, 23, 24, 27, 29, 34 and 52,

(iii) where the taxpayer was a corporation described in subsection (16) throughout the year, property that was specified leasing property of the taxpayer at that time,

(iv) property that was deemed to have been acquired by the taxpayer in a preceding taxation year by reason of the application of paragraph 16.1(1)(b) of the Act in respect of a lease to which the property was subject immediately before the time at which the taxpayer last acquired the property, and

(v) property considered to have become available for use by the taxpayer in the year by reason of paragraph 13(27)(b) or (28)(c) of the Act, and

S is the total of all amounts, each of which is an amount deducted from the undepreciated capital cost to the taxpayer of property of the class

(a) because of element F or G in the definition *undepreciated capital cost* in subsection 13(21) of the Act in respect of property disposed of in the year, or

(b) because of element J in the definition *undepreciated capital cost* in subsection 13(21) of the Act in respect of an amount the taxpayer received or was entitled to receive in the year.

4 Section 1104 of the Regulations is amended by adding the following after subsection (3):

Accelerated Investment Incentive Property

(4) For the purposes of this Part and Schedules II to VI, *accelerated investment incentive property* means property that

(a) is acquired by a taxpayer after November 20, 2018 and becomes available for use before 2028; and

(b) is not a property that was

(i) acquired in circumstances where

(A) the taxpayer was deemed to have been allowed or deducted an amount under paragraph 20(1)(a) of the Act in respect of the property in computing income for previous taxation years, or

(B) the undepreciated capital cost of depreciable property of a prescribed class of the taxpayer was reduced by an amount determined by reference to the amount by which the capital cost of the property to the taxpayer exceeds its cost amount, or

(ii) previously owned or acquired by the taxpayer or by a person or partnership with which the taxpayer did not deal at arm's length at any time when the property was owned or acquired by the person or partnership.

5 Paragraph 1(a) of Schedule IV to the Regulations is replaced by the following:

(a) an amount equal to

(i) if the property is an accelerated investment incentive property acquired in the year,

(A) if the property is acquired before 2024, 1.5 times an amount computed on the basis of a rate per cord, board foot or cubic metre cut in the taxation year, and

(B) if the property is acquired after 2023, 1.25 times an amount computed on the basis of a rate per cord, board foot or cubic metre cut in the taxation year, and

(ii) in any other case, an amount computed on the basis of a rate per cord, board foot or cubic metre cut in the taxation year, and

6 Paragraph 2(a) of Schedule IV to the Regulations is replaced by the following:

(a) the undepreciated capital cost to the taxpayer as of the end of the taxation year (before making any deduction under section 1100 for the taxation year and computed as if subparagraph 1(a)(i) did not apply) of the property

7 Section 2 of Schedule V to the Regulations is replaced by the following:

2 If the taxpayer has not been granted an allowance in respect of the mine or right for a previous taxation year, the rate for a taxation year is determined by the formula

$$A(B - C)/D$$

where

A is

(a) 1.5, if the property is an accelerated investment incentive property acquired before 2024,

- (b) 1.25, if the property is an accelerated investment incentive property acquired after 2023, and
- (c) 1, in any other case;

B is the capital cost of the mine or right to the taxpayer;

C is the residual value, if any, of the mine or right; and

D is

- (a) if the taxpayer has acquired a right to remove only a specified number of units, the specified number of units of material that the taxpayer acquired a right to remove, and
- (b) in any other case, the number of units of commercially mineable material estimated as being in the mine when the mine or right was acquired.

8 Paragraph 3(a) of Schedule V to the Regulations is replaced by the following:

(a) if paragraph (b) does not apply,

- (i) if section 2 applied in the previous year to determine the rate employed to determine the allowance for the year, the rate that would have been determined under section 2 if paragraph (c) of the description of A in that section applied, and
- (ii) in any other case, the rate employed to determine the allowance for the most recent year for which an allowance was granted; and

9 Section 2 of Schedule VI to the Regulations is replaced by the following:

2 If the taxpayer has not been granted an allowance in respect of the limit or right for a previous taxation year, the rate for a taxation year is an amount determined by the formula

$$A(B - (C + D))/E$$

where

A is

- (a) 1.5, if the property is an accelerated investment incentive property acquired before 2024,
- (b) 1.25, if the property is an accelerated investment incentive property acquired after 2023, and
- (c) 1, in any other case;

B is the capital cost of the limit or right to the taxpayer;

C is the residual value of the timber limit;

D is the total of all amounts expended by the taxpayer after the commencement of the taxpayer's 1949 taxation year that are included in the capital cost to the taxpayer of the timber limit or right, for surveys, cruises or preparation of prints, maps or plans for the purpose of obtaining a licence or right to cut timber; and

E is the quantity of timber in the limit or the quantity of timber the taxpayer has obtained a right to cut, as the case may be, (expressed in cords, board feet or cubic metres) as shown by a cruise.

10 Paragraph 3(a) of Schedule VI to the Regulations is replaced by the following:

(a) if paragraph (b) does not apply,

- (i) if section 2 applied in the previous year to determine the rate employed to determine the allowance for the year, the rate that would have been determined under section 2 if paragraph (c) of the description of A in that section applied, and
- (ii) in any other case, the rate employed to determine the allowance for the most recent year for which an allowance was granted; and

11 The Act and the Regulations are further amended by making consequential amendments as a result of sections 1 to 10.

