
Clause 1

Definitions

ITA

118.02(1)

Subsection 118.02(1) of the *Income Tax Act* (the “Act”) provides definitions that apply for the purposes of section 118.02. This section provides a non-refundable 15% credit on amounts paid by individuals for eligible digital news subscriptions, up to an annual expense limit of \$500.

“digital news subscription”

A "digital news subscription" is an agreement entered into between an individual and a qualified Canadian journalism organization that entitles the individual to access content provided by the organization in digital form.

The definition is amended to remove the requirement that the organization must be primarily engaged in the production of original written news content. It is further amended to add a requirement that the content provided under the subscription must be primarily original written news. For more information, see the commentary on the definition “qualified Canadian journalism organization” in subsection 248(1).

The definition is also amended to replace the requirement that the organization must not be engaged in a broadcasting undertaking with a requirement that the organization not hold a licence, as defined in subsection 2(1) of the *Broadcasting Act*.

These amendments come into force on January 1, 2020.

Ceasing to qualify

ITA

118.02(4)

The digital news subscription tax credit is a non-refundable tax credit available in respect of qualifying subscription expenses. Subsection 241(3.4) of the Act allows the Minister of National Revenue to inform taxpayers of which organizations and which subscriptions may be eligible in respect of this credit.

New subsection 118.02(4) provides a deeming rule for the calendar year in which a subscription ceases to be eligible for the credit. For the deeming rule to apply in respect of a subscription, the Minister must have previously informed taxpayers that the subscription qualified for the credit. Where this deeming rule applies, the cost of the subscription is deemed to be a qualified subscription expense until the end of the year to the same extent as before the subscription ceased to qualify.

For more information, see the commentary on subsection 241(3.4).

This amendment comes into force on royal assent.

Notice to individuals

ITA
118.02(5)

New subsection 118.02(5) of the Act provides an organization with the obligation to inform its subscribers when a subscription offered by it ceases to qualify for the digital news subscription tax credit.

This amendment comes into force on royal assent.

Clause 2

Definitions

ITA
125.6(1)

Subsection 125.6(1) of the Act provides definitions for the purposes of the labour tax credit for qualifying journalism organizations in section 125.6.

“assistance”

The definition “assistance” is amended to provide that amounts from the Aid to Publishers component of the Canada Periodical Fund are not assistance for the purposes of the labour credit for qualifying journalism organizations.

“eligible newsroom employee”

The definition “eligible newsroom employees” requires that individuals must spend at least 75% of their time engaged in the production of news content to qualify as eligible newsroom employees for the purposes of the labour tax credit.

Consequential on the changes to the definition “qualifying journalism organization,” the definition is amended to provide that individuals must spend at least 75% of their time engaged in the production of original written news content.

“qualifying journalism organization”

A qualifying journalism organization is a qualified Canadian journalism organization that is eligible for the labour tax credit.

The definition “qualifying journalism organization” is amended by replacing the requirement that an organization not be engaged in a “broadcasting undertaking” with a requirement that the organization not hold a “licence,” as defined in subsection 2(1) of the *Broadcasting Act*.

The definition is also amended to remove the requirement that an organization be primarily engaged in the production of original written news content.

Currently, in order to qualify for the labour tax credit in the year, an organization cannot receive any amounts from the Aid to Publishers component of the Canada Periodical Fund. This restriction is removed from the definition. For more information, see the commentary on subsection (2).

“qualifying labour expenditure”

Qualifying labour expenditures are subject to an annual cap of \$55,000, which is prorated for short taxation years. The definition is amended to also prorate the \$55,000 cap for any organization that does not meet the conditions to be a qualifying journalism organization throughout the entire year.

Tax credit

ITA
125.6(2)

Subsection 125.6(2) of the Act provides the refundable labour tax credit for journalism organizations. The amount of the credit is equal to 25% of the organization’s total qualifying labour expenditures for the taxation year.

Subsection 125.6(2) is amended by reducing the amount of the tax credit available to a qualifying journalism organization in a taxation year by the amount of any funding received by the organization from the Aid to Publishers component of the Canada Periodical Fund in the taxation year. For more information, see the commentary on the definition “qualifying journalism organization” in subsection (1).

Partnerships

ITA
125.6(2.1)

The labour tax credit in subsection 125.6(2) cannot be claimed by a partnership and the rules do not provide a mechanism for the credit to be allocated to members of a partnership.

New subsection 125.6(2.1) of the Act provides a labour tax credit for members of a qualifying journalism organization that is a partnership. The credit that would otherwise be claimed by a qualifying journalism organization under subsection (2) is effectively divided between the members of the partnership, other than other partnerships and specified members (as defined in subsection 248(1)) of the partnership. The total amount of the tax credit is allocated based on the

relative specified proportions (as defined in subsection 248(1)) of each qualifying member of the partnership for the relevant fiscal period.

Example: A partnership has four members, each of which shares equally in the profits (losses) of the partnership (i.e., their specified proportions are each ¼). One member of the partnership is a specified member and no member of the partnership is itself a partnership. The partnership has \$10,000 in qualifying labour expenditures for the fiscal period and has received no amount from the Aid to Publishers component of the Canada Periodical Fund in that period.

To calculate the labour tax credit for a qualifying member of the partnership, the formula provided in subsection (2.1) is $(0.25(A) - B)C/D$.

A is \$10,000, the qualifying labour expenditure of the partnership.

B is nil, as no amount from the Aid to Publishers component of the Canada Periodical Fund has been received in that period.

C is ¼, the specified proportion of the qualifying member.

D is ¾, the total specified proportions of all qualifying members.

$$0.25 * (\$10,000) * (0.25) / (0.75) = \$833$$

The labour tax credit of the partnership would be allocated equally between the three non-specified members of the partnership, with each partner receiving an amount of \$833.

Partnership – application rules

ITA
125.6(2.2)

New subsection 125.6(2.2) of the Act provides that, for the purposes of section 125.6, a taxpayer includes a partnership.

When assistance received

ITA
125.6(3)

Subsection 125.6(3) of the Act provides that the amount of the refundable tax credit under subsection (2) for a taxation year is considered to be assistance received by the qualifying journalism organization from a government immediately before the end of the year (other than for the purpose of determining the refundable labour tax credit for journalism organizations itself).

Subsection 125.6(3) is amended to provide that if a member of a partnership receives an amount in respect of the journalism labour tax credit under subsection (2.1) for a year, the member is

deemed to have received the amount as assistance from a government immediately before the end of the year.

The amendments to section 125.6 come into force on January 1, 2019.

Clause 3

Definitions

ITA

149.1(1)

“qualifying journalism organization”

The definition “qualifying journalism organization” is relevant for the purposes of the labour tax credit in section 125.6 of the Act.

The definition is amended to add a requirement that the organization be primarily engaged in the production of written news content. This is consequential on the removal of this condition from the definition “qualified Canadian journalism organization” in subsection 248(1).

This amendment comes into force on January 1, 2019.

Clause 4

Assessment

ITA

152(1)(b)

Subsection 152(1) of the Act lists certain refunds and deemed payments on account of tax that are to be determined in the course of assessing a taxpayer's tax. Paragraph 152(1)(b) refers to the specific provisions under which amounts are deemed to be paid on account of tax.

This paragraph is amended to add a reference to new subsection 125.6(2.1). This subsection deems an amount to have been paid on account of tax payable by a member of a partnership that qualifies for the refundable labour tax credit for journalism organizations.

This amendment comes into force on January 1, 2019.

Clause 5

Reduced instalments

ITA

157(3)(e)

Section 157 of the Act requires a corporation to pay monthly instalments of its total tax payable under Parts I, I.3, VI, VI.1 and XIII.1 of the Act. Subsection 157(3) allows certain corporations to reduce their monthly tax instalment payments by certain refundable amounts under the Act.

Paragraph 157(3)(e) is amended to add a reference to new subsection 125.6(2.1), which provides a refundable labour tax credit for qualifying members of a journalism organization organized as a partnership.

This amendment comes into force on January 1, 2019.

Amount of payment - three-month period

ITA
157(3.1)(c)

Subsection 157(1.1) of the Act allows small Canadian-controlled private corporations that meet certain conditions to pay their annual tax liability by quarterly instalments instead of monthly. Subsection 157(3.1) allows small Canadian-controlled private corporations to reduce each quarterly instalment by $\frac{1}{4}$ of the amount of certain tax refunds. Paragraphs 157(3.1)(b) and (c) list these tax refunds.

Paragraph 157(3.1)(c) is amended to add a reference to new subsection 125.6(2.1). This subsection provides a refundable labour tax credit for qualifying members of journalism organizations that are partnerships.

This amendment comes into force on January 1, 2019.

Clause 6

False statements or omissions

ITA
163(2)

Subsection 163(2) of the Act imposes a penalty where a taxpayer knowingly, or in circumstances amounting to gross negligence, participates in or makes a false statement for the purposes of the Act. The penalty is determined by reference to the understatement of tax or the overstatement of amounts deemed to be paid on account of tax. Paragraph (h) relates to the labour tax credit for qualifying journalism organizations in subsection 125.6(2.1).

Paragraph 163(2)(h) is amended to add a reference to new subsection 125.6(2.1). For more information, see the commentary on that subsection.

This amendment comes into force on January 1, 2019.

Clause 7

Refunds

ITA
164(1)(a)(ii)

Subsection 164(1) of the Act provides rules governing refunds of overpayments of tax. Subparagraph (a)(ii) set out circumstances where the Minister of National Revenue may, before mailing the notice of reassessment for the year, refund all or part of an amount claimed in the taxpayer's return as an overpayment for the year.

Subparagraph 164(1)(a)(ii) is amended to authorize the Minister of National Revenue to refund all or part of a taxpayer's claim in respect of an amount under new subsection 125.6(2.1) in respect of the refundable labour tax credit for qualifying members of journalism organizations that are partnerships.

This amendment comes into force on January 1, 2019.

Clause 8

Designation of Qualified Canadian Journalism Organizations

ITA
168.1

New section 168.1 of the Act provides rules with respect to the timing of the designation and revocation of a qualified Canadian journalism organization, as defined in subsection 248(1).

Date of designation

ITA
168.1(1)

New subsection 168.1(1) of the Act provides that where an organization applies for a designation for the purpose of the definition “qualified Canadian journalism organization” in subsection 248(1), the organization is deemed to have become designated on the date that the organization applies for designation with the Canada Revenue Agency, unless otherwise specified by the Minister of National Revenue.

Revocation of designation

ITA
168.1(2)

New subsection 168.1(2) of the Act provides that the Minister of National Revenue may, at any time, revoke the designation of an organization that is a “qualified Canadian journalism organization” as defined in subsection 248(1) and that for that purpose, the Minister shall take into account any recommendations of a body established for the purpose of that definition.

Notice and date of revocation

ITA
168.1(3)

New subsection 168.1(3) of the Act provides that if the designation of an organization is revoked, the Minister of National Revenue shall provide notice to the organization in writing. This new subsection also provides that the revocation is deemed to be effective as of the date on which the notice is sent to the organization, or at an earlier date specified by the Minister.

These amendments come into force on January 1, 2019.

Clause 9

Information may be communicated

ITA
241(3.4)

Subsection 241(3.4) of the Act provides that the Minister of Revenue is permitted to publish the names of qualified Canadian journalism organizations with respect to which a taxpayer can be entitled to a deduction under the digital news subscription tax credit.

Subsection 241(3.4) is amended to provide that the Minister is also permitted to publish information relating to the eligibility of subscriptions provided by those organizations.

These amendments come into force on January 1, 2019.

Clause 10

Definitions

ITA
248(1)

“qualified Canadian journalism organization”

The definition “qualified Canadian journalism organization” is relevant for a number of provisions in the Act, including the definition “qualifying journalism organization” in section 149.1, section 125.6 (the refundable tax credit for journalism organizations) and section 118.02 (the non-refundable tax credit for subscriptions to Canadian digital news).

The definition “qualified Canadian journalism organization” currently provides that a qualified Canadian journalism organization must be primarily engaged in the production of original news content. The definition is amended to remove this requirement and instead require that the organization be engaged in the production of original news content. For more information, see the consequential amendments to sections 149.1, 125.6 and 118.02.

The definition “qualified Canadian journalism organization” is also amended to remove the requirement that the organization not be significantly engaged in the production of content to promote goods or services.

These amendments come into force on January 1, 2019.