

Legislative Proposals Related to the Income Tax Act

Flow-Through Shares – Time Extension

1 (1) Section 66 of the *Income Tax Act* is amended by adding the following after subsection (12.6):

COVID-19 – time extension to 36 months

(12.6001) The references to “24 months” in subsections (12.6) and (12.62) are to be read as references to “36 months” in respect of agreements entered into after February 2018 and before 2021.

(2) Section 66 of the Act is amended by adding the following after subsection (12.73):

COVID-19 – agreements in 2019 or 2020

(12.731) If an agreement is entered into in 2019 or 2020 by a corporation to issue flow-through shares of the corporation,

(a) the reference in subparagraph (12.73)(a)(ii) to “at the end of the year” is to be read as a reference to “at the end of the subsequent year”; and

(b) the reference in paragraph (12.73)(c) to “before March of the calendar year” is to be read as a reference to “before March of the second calendar year”.

2 Section 211.91 of the Act is amended by adding the following after subsection (2):

COVID-19 – expenses deemed incurred earlier

(2.1) If an agreement referred to in subsection 66(12.66) was made in 2019 or 2020,

(a) the reference in subsection (2) to “the following calendar year” is to be read as a reference to “the second following calendar year”; and

(b) for the purposes of this section and, where subparagraph (iii) applies, paragraph 66(12.66)(a), Canadian exploration expenses incurred by a corporation in respect of the agreement in a particular month in a calendar year are deemed to have been incurred

(i) in January 2020, if the expenses were incurred in 2020 and the agreement was entered into in 2019,

(ii) in January 2021, if the expenses were incurred in 2021 and the agreement was entered into in 2020, and

(iii) 12 months earlier, in any other case.