

Preface

These explanatory notes describe proposed amendments to the *Income Tax Act*. These explanatory notes describe these proposed amendments, clause by clause, for the assistance of Members of Parliament, taxpayers and their professional advisors.

These notes are intended for information purposes only and should not be construed as an official interpretation of the provisions they describe.

Deemed amount 2019-2023

ITA

127.421(2)

Subsection 127.421(2) provides a method for calculating the amount of the Canada Carbon Rebate for Small Businesses for the 2019 to 2023 calendar years. It currently provides that if a corporation had filed, on or before July 15, 2024, a return of income for a taxation year ending in 2023 (other than a final return on dissolution) it is deemed to have paid, on a date specified by the Minister of Finance, an amount on account of tax payable under Part I for that taxation year.

Subsection 127.421(2) is amended to extend the filing deadline until December 31, 2024. The filing deadline is extended to allow corporations who missed the initial filing deadline of July 15, 2024, to continue to file until December 31, 2024, for the Canada Carbon Rebate for Small Businesses for the 2019 to 2023 calendar years.

This amendment is deemed to have come into force on June 20, 2024.

Deemed amount after 2023

ITA

127.421(3)

Subsection 127.421(3) provides a method for calculating the amount of the Canada Carbon Rebate for Small Businesses for calendar years that are after 2023. Subsection 127.421(3) currently provides that a corporation that files a return of income for a particular taxation year ending in a calendar year after 2023 (other than a final return on dissolution) is, if the return is filed on or before July 15 of the following calendar year, deemed to have paid an amount on its balance-due day for the year, on account of tax payable under Part I for that taxation year.

Subsection 127.421(3) is amended to provide a fixed date of October 1 of the calendar year as the date on which a corporation is deemed to have paid an amount on account of tax payable under Part I for the particular taxation year.

This amendment is deemed to have come into force on June 20, 2024.

Payment – not taxable

ITA

127.421(6)

Subsection 127.421(6) currently provides that the amount of tax that a taxpayer is deemed to have paid under subsection 127.421(2) or (3) is considered to be assistance received by the taxpayer from a government in the taxation year in which the assistance is received.

Subsection 127.421(6) is amended to provide that an amount deemed to have been paid on account of tax payable under subsection 127.421(2) or (3) is not to be included in computing the income of a corporation for a taxation year.

This amendment is deemed to have come into force on June 20, 2024.

Predecessor corporation – before 2023

ITA

127.421(8)

Subsection 127.421(8) currently provides that for the purposes of subsection 127.421(2), where there has been an amalgamation or merger of two or more corporations in a calendar year before 2023, the corporation filing a return of income in 2023 is deemed to be the same corporation as and a continuation of each predecessor corporation that was registered with the Minister to make remittances required under section 153 under the corporation's 2023 business number. This would allow an eligible successor corporation to receive an amount under subsection 127.421(2) in respect of preceding calendar years if the 2023 business number was used to make remittances in respect of persons employed by a predecessor corporation in a designated province in those calendar years.

Subsection 127.421(8) is amended to remove the word “merger”. This amendment clarifies that subsection 127.421(8) is intended to only apply where there has been an amalgamation of two or more corporations in a calendar year before 2023.

This amendment is deemed to have come into force on June 20, 2024.

Predecessor corporation - 2023

ITA

127.421(9)

Subsection 127.421(9) currently provides that for the purposes of subsections 127.421(2) and (3), where there has been an amalgamation or merger of two or more corporations in a calendar year after 2022, the number of persons employed in that calendar year by the corporation formed by the amalgamation or merger is deemed to be nil. This prevents a predecessor corporation and successor corporation from both receiving the CCRSB for the year of the amalgamation.

Consequential on the introduction of new subsection 127.421(9.1), the reference to subsection 127.421(3) is removed.

Subsection 127.421(9) is also amended to remove the word “merger”. This amendment clarifies that subsection 127.421(9) is intended to only apply where there has been an amalgamation of two or more corporations in a calendar year after 2022.

These amendments are deemed to have come into force on June 20, 2024.

Predecessor corporation – after 2023

ITA

127.421(9.1)

New subsection 127.421(9.1) provides that for the purpose of subsection 127.421(3), where there has been an amalgamation of two or more corporations in a calendar year after 2023, the number of persons employed in that calendar year by a predecessor of a corporation formed by an amalgamation in that calendar year is deemed to be nil. This prevents a predecessor corporation and successor corporation from both receiving the Canada Carbon Rebate for Small Businesses for the year of the amalgamation.

This amendment is deemed to have come into force on June 20, 2024.

Deemed taxation year

ITA

127.421(11)

Subsection 127.421(11) currently addresses circumstances where a corporation may have more than one taxation year ending in a calendar year after 2023. To prevent a double payment to that corporation for the calendar year, subsection 127.421(11) provides that, for the purposes of subsection 127.421(3), if a corporation has more than one taxation year ending in the same calendar year, the particular taxation year is the first taxation year that ends in the calendar year.

Subsection 127.491(11) is amended by adding a reference to subsection 127.421(2) so that it also addresses circumstances where a corporation may have more than one taxation year in 2023.

This amendment is deemed to have come into force on June 20, 2024.