

BILL

No. 69

An Act to amend *The Income Tax Act, 2000*

(Assented to _____)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows:

Short title

1 This Act may be cited as *The Income Tax Amendment Act, 2017*.

SS 2000, c I-2.01 amended

2 *The Income Tax Act, 2000* is amended in the manner set forth in this Act.

Section 5 amended

3 **Clause 5(1)(a) is amended by striking out “or 8(3)(a)” and substituting “, 8(3)(a), 8(3.1)(a), 8(3.2)(a), 8(3.3)(a) or 8(3.4)(a)”.**

Section 8 amended

4(1) **Subsection 8(3) is amended in the portion preceding clause (a) by striking out “2003 taxation year and subsequent taxation years” and substituting “2003 through 2016 taxation years”.**

(2) **The following subsections are added after subsection 8(3):**

“(3.1) The tax payable by an individual described in clause 6(1)(a) on the individual’s taxable income for the 2017 taxation year is:

- (a) 10.75% of the taxable income if the taxable income does not exceed \$45,225;
- (b) the maximum amount determined pursuant to clause (a), plus 12.75% of the amount by which the taxable income exceeds \$45,225 if the taxable income exceeds \$45,225 but does not exceed \$129,214; or
- (c) the maximum amount determined pursuant to clause (b), plus 14.75% of the amount by which the taxable income exceeds \$129,214 if the taxable income exceeds \$129,214.

“(3.2) The tax payable by an individual described in clause 6(1)(a) on the individual’s taxable income for the 2018 taxation year is:

- (a) 10.5% of the taxable income if the taxable income does not exceed \$45,225;
- (b) the maximum amount determined pursuant to clause (a), plus 12.5% of the amount by which the taxable income exceeds \$45,225 if the taxable income exceeds \$45,225 but does not exceed \$129,214; or
- (c) the maximum amount determined pursuant to clause (b), plus 14.5% of the amount by which the taxable income exceeds \$129,214 if the taxable income exceeds \$129,214.

“(3.3) The tax payable by an individual described in clause 6(1)(a) on the individual’s taxable income for the 2019 taxation year is:

- (a) 10.25% of the taxable income if the taxable income does not exceed \$45,225;
- (b) the maximum amount determined pursuant to clause (a), plus 12.25% of the amount by which the taxable income exceeds \$45,225 if the taxable income exceeds \$45,225 but does not exceed \$129,214; or
- (c) the maximum amount determined pursuant to clause (b), plus 14.25% of the amount by which the taxable income exceeds \$129,214 if the taxable income exceeds \$129,214.

“(3.4) The tax payable by an individual described in clause 6(1)(a) on the individual’s taxable income for the 2020 taxation year and subsequent taxation years is:

- (a) 10% of the taxable income if the taxable income does not exceed \$45,225;
- (b) the maximum amount determined pursuant to clause (a), plus 12% of the amount by which the taxable income exceeds \$45,225 if the taxable income exceeds \$45,225 but does not exceed \$129,214; or
- (c) the maximum amount determined pursuant to clause (b), plus 14% of the amount by which the taxable income exceeds \$129,214 if the taxable income exceeds \$129,214”.

(3) Subsection 8(4) is amended in the description of the variable TS by striking out “subsection (1), (2) or (3)” and substituting “subsection (1), (2), (3), (3.1), (3.2), (3.3) or (3.4)”.

Section 9 amended

5 Subsection 9(1) is amended:

- (a) by striking out “and” after clause (b);**
- (b) by repealing clause (c) and substituting the following:**

“(c) for the 2003 through 2016 taxation years is 15% of the taxable income”; **and**
- (c) by adding the following after clause (c):**

“(d) for the 2017 taxation year is 14.75% of the taxable income;

“(e) for the 2018 taxation year is 14.5% of the taxable income;

“(f) for the 2019 taxation year is 14.25% of the taxable income; and

“(g) for the 2020 taxation year and subsequent taxation years is 14% of the taxable income”.

Section 21 amended

6 Subsection 21(3) is amended by striking out the description of the variable C and substituting the following:

“C is the percentage set out in:

- (a) clause 8(3)(c) for the 2003 through 2016 taxation years;
- (b) clause 8(3.1)(c) for the 2017 taxation year;
- (c) clause 8(3.2)(c) for the 2018 taxation year;
- (d) clause 8(3.3)(c) for the 2019 taxation year;
- (e) clause 8(3.4)(c) for the 2020 and subsequent taxation years”.

New section 24

7 Section 24 is repealed and the following substituted:

“Tuition credit

24(1) Subject to subsection (2), for the purpose of computing the tax payable pursuant to this Act for a taxation year by an individual, there may be deducted a tuition credit in an amount determined in accordance with section 118.5 of the federal Act.

(2) No amount may be deducted for a taxation year by an individual pursuant to subsection (1) with respect to fees paid to a designated educational institution with respect to the individual’s enrolment during any period after June 30, 2017”.

New section 25

8 Section 25 is repealed and the following substituted:

“Education credit

25(1) For the purpose of computing the tax payable pursuant to this Act for a taxation year by an individual who is a qualifying student in the year, there may be deducted an education credit determined by the following formula:

$$EC = A \times B$$

where:

A is the appropriate percentage for the taxation year; and

B is the total of the products obtained when:

- (a) \$400 is multiplied by the number of months in the year before July 1, 2017 during which the individual is enrolled in a qualifying educational program as a full-time student at a designated educational institution; and
- (b) \$120 is multiplied by the number of months in the year before July 1, 2017, other than months described in clause (a), each of which is a month during which the individual is enrolled at a designated educational institution in a specified educational program that provides that each student in the program spend not less than 12 hours in the month on courses in the program.

(2) Subsections 118.6(1) and (3) of the federal Act apply for the purposes of this section, except that the reference in subsection 118.6(3) to ‘For the purposes of subparagraph (a)(i) of the definition of qualifying student in subsection (1)’ is to be read as ‘For the purposes of clause (a) of the description of the variable B in subsection 25(1) of *The Income Tax Act, 2000* (Saskatchewan)’ ”.

Section 26 amended

9(1) Subsection 26(3) is amended in the portion preceding the formula by adding “or (3.2)” after “subsection (3.1)”.

(2) The following subsection is added after subsection 26(3.1):

“(3.2) For the purposes of subsection (3), no amount may be included in the determination of amount B with respect to any fees paid to a designated educational institution with respect to the individual’s enrolment during any period after December 31, 2016”.

Section 32 amended

10 Section 32 is amended:

(a) by striking out “and” after clause (g);

(b) in the portion of clause (h) preceding subclause (i) by striking out “and subsequent taxation years”; and

(c) by adding the following after clause (h):

“(i) for the 2017 taxation year, the total of:

(i) 23.173% of any amount required by subparagraph 82(1)(b)(i) of the federal Act to be included in computing the individual’s income for the year; and

(ii) 39.039% of any amount required by subparagraph 82(1)(b)(ii) of the federal Act to be included in computing the individual’s income for the year;

“(j) for the 2018 taxation year, the total of:

(i) 23.173% of any amount required by subparagraph 82(1)(b)(i) of the federal Act to be included in computing the individual’s income for the year; and

(ii) 38.132% of any amount required by subparagraph 82(1)(b)(ii) of the federal Act to be included in computing the individual’s income for the year;

“(k) for the 2019 taxation year, the total of:

(i) 23.173% of any amount required by subparagraph 82(1)(b)(i) of the federal Act to be included in computing the individual’s income for the year; and

(ii) 37.224% of any amount required by subparagraph 82(1)(b)(ii) of the federal Act to be included in computing the individual’s income for the year; and

“(l) for the 2020 taxation year and subsequent taxation years, the total of:

(i) 23.173% of any amount required by subparagraph 82(1)(b)(i) of the federal Act to be included in computing the individual’s income for the year; and

(ii) 36.316% of any amount required by subparagraph 82(1)(b)(ii) of the federal Act to be included in computing the individual’s income for the year”.

Section 36 amended

11 Subsection 36(1) is amended in the description of the variable HP by striking out “or 8(3)(c)” and substituting “, 8(3)(c), 8(3.1)(c), 8(3.2)(c), 8(3.3)(c) or 8(3.4)(c)”.

Section 39 amended

12(1) Subsection 39(5) is amended:

- (a) in clause (a) by striking out “\$216” and substituting “\$346”;
- (b) in clause (b) by striking out “\$216” and substituting “\$346”;
- (c) in the portion of clause (c) preceding subclause (i) by striking out “\$216” and substituting “\$346”; and
- (d) in the portion of subclause (d)(i) preceding paragraph (A) by striking out “\$84” and substituting “\$136”.

(2) Subsection 39(6) is amended:

- (a) in the portion preceding the formula by adding “for the 2001 through 2015 taxation years” after “amount C”;
- (b) in clause (b) of the description of the variable E by striking out “and subsequent” and substituting “through 2015”; and
- (c) in clause (b) of the description of the variable B by striking out “and subsequent” and substituting “through 2015”.

(3) The following subsection is added after subsection 39(6):

“(6.1) For the purposes of subsection (4), the amount C for the 2016 and subsequent taxation years is equal to 2.75% of the amount, if any, by which the individual’s adjusted income for the taxation year exceeds the amount D, calculated in accordance with the following formula:

$$D = E - \frac{B}{0.0275}$$

where:

- E is \$45,225 for the 2016 taxation year and subsequent taxation years; and
- B is \$346 for the 2016 taxation year and subsequent taxation years”.

Section 48 amended

13 Subsection 48(3) is amended by striking out “or 8(3)(c) of this Act” and substituting “, 8(3)(c), 8(3.1)(c), 8(3.2)(c), 8(3.3)(c) or 8(3.4)(c) of this Act”.

Section 51 amended

14(1) Clause 51(6.2)(b) is repealed and the following substituted:

“(b) in accordance with subsection (3) for the 2008 through 2017 taxation years”.

(2) Subsection 51(6.4) is amended by striking out “2009 taxation year and each subsequent taxation year” and substituting “2009 through 2017 taxation years”.

(3) Subsection 51(8.1) is amended:

- (a) in the portion preceding the formula by striking out “2008 taxation year and each subsequent taxation year” and substituting “2008 through 2015 taxation years”; and
- (b) in clause (b) of the variable NP by striking out “for each subsequent taxation year” and substituting “for each of the 2009 through 2015 taxation years”.

(4) Subsection 51(9) is repealed and the following substituted:

“(9) The amount expressed in dollars in subsection 8(3) is to be adjusted in accordance with subsection (3) for the 2004 taxation year, in accordance with subsection (5) for the 2005, 2006 and 2007 taxation years, and in accordance with subsection (3) for the 2008 through 2016 taxation years.

“(9.1) The amount expressed in dollars in clause (c) in the description of Y in subsection 20(1) is to be adjusted in accordance with subsection (3) for the 2004 taxation year, in accordance with subsection (5) for the 2005, 2006 and 2007 taxation years, and in accordance with subsection (3) for the 2008 through 2017 taxation years”.

(5) Subsection 51(12) is amended in the portion preceding clause (a) by striking out “2012 taxation year and each subsequent taxation year” and substituting “2012 through 2017 taxation years”.**Section 56 amended****15(1) Subsection 56(1) is amended:**

(a) in the portion preceding clause (a) by adding “and 64.2” after “sections 56.1 to 56.3”;

(b) by striking out “and” after clause (c); and

(c) by repealing clause (d) and substituting the following:

“(d) 12% for the period commencing on July 1, 2008 and ending on June 30, 2017;

“(e) 11.5% for the period commencing on July 1, 2017 and ending on June 30, 2019; and

“(f) 11% for the period commencing on July 1, 2019”.

(2) Subsection 56(2) is amended in the portion preceding clause (a) by adding “, 64.2 and 64.6” after “sections 56.2 to 56.4”.

New section 56.3**16 Section 56.3 is repealed and the following substituted:****“Tax on credit unions**

56.3(1) Where a corporation that is a credit union throughout a taxation year is eligible for a deduction pursuant to subsection 125(1) or 137(3) of the federal Act for the taxation year, the tax payable pursuant to this Act by the credit union for the taxation year is the total of all amounts T calculated in accordance with the following formula with respect to each period in the taxation year to which a different rate of tax set out in subsection 56(1) or (2) applies, to which a different amount set out in section 56.5 applies or to which a different percentage Y set out in subsection (2) applies:

$$T = \left\{ \left[SR \times \left(\frac{A}{B} \times C_1 \right) \right] + \left[SR \times \left(\frac{A}{B} \times C_2 \right) \times Y \right] + [GR \times (A - D)] \right\} \times \frac{DP}{DY}$$

where:

SR is the rate of tax set out in subsection 56(2) that applies to the period in the taxation year;

A is the amount of the credit union's taxable income earned in the taxation year in Saskatchewan;

B is the amount of the credit union's total taxable income earned in the taxation year in all provinces;

C_1 , subject to section 56.5, is the least of the amounts determined pursuant to paragraphs 125(1)(a), (b) and (c) of the federal Act for the period in the taxation year;

C_2 , subject to section 56.5, is the amount, if any, by which the amount D determined for the purposes of the formula in subsection 137(3) of the federal Act for the taxation year exceeds the least of the amounts determined pursuant to paragraphs 125(1)(a), (b) and (c) of the federal Act for the taxation year;

Y is the percentage set out in subsection (2) that applies to the period in the taxation year;

GR is the rate of tax set out in subsection 56(1) that applies to the period in the taxation year;

D is the amount resulting from the calculation of $(A/B \times C_1) + (A/B \times C_2 \times Y)$;

DP is the number of days in the period in the taxation year; and

DY is the number of days in the taxation year.

(2) For the purposes of calculating the value of T in subsection (1), the percentage Y is:

(a) for the periods before January 1, 2017, 100%;

(b) for the periods after December 31, 2016 and before January 1, 2018, 75%;

(c) for the periods after December 31, 2017 and before January 1, 2019, 50%;

(d) for the periods after December 31, 2018 and before January 1, 2020, 25%; and

(e) for periods after December 31, 2019, 0%".

Section 60.1 amended

17(1) Subsection 60.1(4) is repealed and the following substituted:

"(4) A corporation's investment tax credit for a taxation year is the amount ITCMP calculated in accordance with the formula:

$$\text{ITCMP} = \text{CC}_1 + \text{CC}_2 + \text{CC}_3 + \text{OA}$$

where:

CC_1 , with respect to qualified property acquired by the corporation on or before October 27, 2006, is 7% of the sum of all amounts, each of which is the capital cost to the corporation of qualified property acquired by it in the taxation year, determined without reference to subsection 13(7.1) of the federal Act;

CC₂, with respect to qualified property acquired by the corporation after October 27, 2006 and before March 23, 2017, is 5% of the sum of all amounts, each of which is the capital cost to the corporation of qualified property acquired by it in the taxation year, determined without reference to subsection 13(7.1) of the federal Act;

CC₃, with respect to qualified property acquired by the corporation after March 22, 2017, is 6% of the sum of all amounts, each of which is the capital cost to the corporation of qualified property acquired by it in the taxation year, determined without reference to subsection 13(7.1) of the federal Act; and

OA is the sum of all amounts, each of which is an amount required by subsection (5) or (7) to be added in computing the corporation's investment tax credit for the taxation year".

(2) Subsection 60.1(5) is amended by striking out "CC₁ and CC₂" and substituting "CC₁, CC₂ and CC₃".

(3) Subsection 60.1(7) is amended by striking out "CC₁ and CC₂" and substituting "CC₁, CC₂ and CC₃".

Section 61.1 amended

18(1) Subsection 61.1(4) is repealed and the following substituted:

"(4) Where a corporation has acquired in Saskatchewan, or brought into Saskatchewan, qualified property in a taxation year, resulting in the corporation being subject to and paying tax pursuant to *The Provincial Sales Tax Act* computed on the value of the qualified property, other than tax payable pursuant to subsection 5(9.1) of that Act, the amount to be determined pursuant to this subsection that may be allowed to the corporation for the taxation year pursuant to subsection (3) is the amount ITCUE determined in accordance with the following formula:

$$\text{ITCUE} = \text{PST} + E_1 + E_2 + E_3$$

where:

PST is, subject to clauses (9)(a) and (11)(a), the tax paid by the corporation pursuant to *The Provincial Sales Tax Act* computed on the value of the qualified property, other than tax payable pursuant to subsection 5(9.1) of that Act;

E₁, with respect to qualified property acquired in Saskatchewan, or brought into Saskatchewan, by the corporation on or before October 27, 2006, is, subject to clauses (9)(b) and (11)(b), 7% of the sum of all amounts, each of which:

(a) is an expenditure incurred by the corporation in the taxation year to install the qualified property or otherwise make it initially available for use in Saskatchewan, other than amounts included in the value of the qualified property on which tax was computed pursuant to *The Provincial Sales Tax Act*; and

(b) forms part of the capital cost to the corporation of the qualified property, determined without reference to subsection 13(7.1) of the federal Act;

E_2 , with respect to qualified property acquired in Saskatchewan, or brought into Saskatchewan, by the corporation after October 27, 2006 and before March 23, 2017 is, subject to clauses (9)(b) and (11)(b), 5% of the sum of all amounts, each of which:

(a) is an expenditure incurred by the corporation in the taxation year to install the qualified property or otherwise make it initially available for use in Saskatchewan, other than amounts included in the value of the qualified property on which tax was computed pursuant to *The Provincial Sales Tax Act*; and

(b) forms part of the capital cost to the corporation of the qualified property, determined without reference to subsection 13(7.1) of the federal Act; and

E_3 , with respect to qualified property acquired in Saskatchewan, or brought into Saskatchewan, by the corporation after March 22, 2017, is, subject to clauses (9)(b) and (11)(b), 6% of the sum of all amounts, each of which:

(a) is an expenditure incurred by the corporation in the taxation year to install the qualified property or otherwise make it initially available for use in Saskatchewan, other than amounts included in the value of the qualified property on which tax was computed pursuant to *The Provincial Sales Tax Act*; and

(b) forms part of the capital cost to the corporation of the qualified property, determined without reference to subsection 13(7.1) of the federal Act”.

(2) Clause 61.1(5)(a) is repealed and following substituted:

“(a) subject to clauses (9)(c) and (11)(c), the amount to be determined pursuant to this subsection that may be allowed to the corporation for the taxation year pursuant to subsection (3) is the amount ITCUE determined in accordance with the following formula:

$$ITCUE = R_1 + R_2 + R_3$$

where:

R_1 , with respect to the tax payable pursuant to *The Provincial Sales Tax Act* on or before October 27, 2006, is 1.07 times the sum of all amounts, each of which:

(i) is tax payable pursuant to *The Provincial Sales Tax Act* computed on the basis of the rent payable pursuant to the capital lease; and

(ii) is paid during the taxation year by the corporation;

R_2 , with respect to the tax payable pursuant to *The Provincial Sales Tax Act* after October 27, 2006 and before March 23, 2017, is 1.05 times the sum of all amounts, each of which:

(i) is tax payable pursuant to *The Provincial Sales Tax Act* computed on the basis of the rent payable pursuant to the capital lease; and

(ii) is paid during the taxation year by the corporation; and

R_3 , with respect to the tax payable pursuant to *The Provincial Sales Tax Act* after March 22, 2017, is 1.06 times the sum of all amounts, each of which:

- (i) is tax payable pursuant to *The Provincial Sales Tax Act* computed on the basis of the rent payable pursuant to the capital lease; and
- (ii) is paid during the taxation year by the corporation”.

(3) Clause 61.1(9)(b) is repealed and following substituted:

“(b) when determining the respective amounts E_1 , E_2 and E_3 as described in subsection (4) for the corporation for the taxation year, must add to the respective amounts otherwise determined its share of the respective amounts E_1 , E_2 and E_3 that would be determined pursuant to subsection (4) for the trust for the taxation year if the trust were a corporation”.

(4) Clause 61.1(11)(b) is repealed and following substituted:

“(b) when determining the respective amounts E_1 , E_2 and E_3 as described in subsection (4) for the corporation for the taxation year, must add to the respective amounts otherwise determined its share of the respective amounts E_1 , E_2 and E_3 that would be determined pursuant to subsection (4) for the partnership for the taxation year if the partnership were a taxpayer”.

Section 63.3 amended

19 Subclause 63.3(1)(b)(i) is amended by adding “and before April 1, 2017” after “March 31, 2015”.

New section 63.4

20 The following section is added after section 63.3:

“Refundable and non-refundable targeted research and development tax credits

63.4(1) In this section:

- (a) **‘amalgamation’** means an amalgamation as defined in subsection 87(1) of the federal Act;
- (b) **‘eligible expenditure’** means an expenditure with respect to scientific research and experimental development carried out in Saskatchewan that:
 - (i) was incurred after April 1, 2017 by a corporation that has a permanent establishment in Saskatchewan; and
 - (ii) is a qualified expenditure within the meaning of subsections 127(9), (11.1), (11.5), (18), (19) and (20) of the federal Act, but includes only the portion of the corporation’s prescribed proxy amount pursuant to paragraph (b) of the definition of ‘qualified expenditure’ in subsection 127(9) of the federal Act that can reasonably be considered to relate to scientific research and experimental development carried out in Saskatchewan;
- (c) **‘non-refundable research and development tax credit’** means the amount calculated pursuant to subsection (6);
- (d) **‘refundable research and development tax credit’** means the amount calculated pursuant to subsection (4);
- (e) **‘winding-up’** means a winding-up of a corporation to which subsection 88(1) of the federal Act applies.

(2) For the purposes of applying the term ‘qualified expenditure’ in subclause (ii) of the definition of ‘eligible expenditure’ in subsection (1), the reference to ‘government assistance’ in subsections 127(18), (19) and (20) of the federal Act does not include the refundable research and development tax credit of the corporation calculated pursuant to subsection (4) or the non-refundable research and development tax credit of the corporation calculated pursuant to subsection (6).

(3) An amount equal to the refundable research and development tax credit of the corporation for a taxation year is deemed to have been paid by the corporation on its balance due date on account of its tax payable pursuant to this Act for the taxation year.

(4) The refundable research and development tax credit of a Canadian-controlled private corporation for a taxation year is equal to the lesser of:

(a) the amount RRDTTC calculated in accordance with the following formula:

$$\text{RRDTTC} = \text{RRD} + \text{RRB}$$

where:

RRD is 10% of the sum of all amounts, each of which is an eligible expenditure incurred by the corporation in the taxation year, determined without reference to subsection 13(7.1) of the federal Act;

RRB is the sum of the amounts determined pursuant to paragraphs (e.1) and (e.2) of the definition of ‘investment tax credit’ in subsection 127(9) of the federal Act that are related to eligible expenditures, except that for the purpose of this subsection:

(i) the specified percentage is 10%; and

(ii) each amount must relate to a repayment made by the taxpayer in the taxation year and not in any other taxation year; and

(b) 10% of 1/3 of the corporation’s expenditure limit determined in accordance with subsection 127(10.2) of the federal Act for the taxation year.

(5) A corporation may deduct from its tax otherwise payable pursuant to this Act for a taxation year an amount equal to the least of:

(a) its non-refundable research and development tax credit for the taxation year;

(b) \$1 million less the amount of its refundable research and development tax credit for the taxation year; and

(c) its tax otherwise payable pursuant to this Act for the taxation year.

(6) The non-refundable research and development tax credit of a corporation for a taxation year is the amount NRDTTC calculated in accordance with the following formula:

$$\text{NRDTTC} = (\text{NRD} + \text{NRB} - \text{RTC}) + \text{OA} + (\text{NRDPY} + \text{OAPY} - \text{PD})$$

where:

NRD is 10% of the sum of all amounts, each of which is an eligible expenditure incurred by the corporation in the taxation year, determined without reference to subsection 13(7.1) of the federal Act;

NRB is the sum of the amounts determined pursuant to paragraphs (e.1) and (e.2) of the definition of 'investment tax credit' in subsection 127(9) of the federal Act that are related to eligible expenditures, except that for the purpose of this subsection:

- (a) the specified percentage is 10%; and
- (b) each amount must relate to a repayment made by the taxpayer in the taxation year and not in any other taxation year;

RTC is the amount of the corporation's refundable research and development tax credit for the taxation year determined in accordance with subsection (4);

OA is the sum of all amounts, each of which is an amount required by subsection (7) or (9) to be added in computing the corporation's non-refundable research and development tax credit for the taxation year;

NRDPY is 10% of the sum of all amounts, each of which is an eligible expenditure incurred by the corporation in any of the 10 taxation years preceding the taxation year or the three taxation years following that taxation year, determined without reference to subsection 13(7.1) of the federal Act;

OAPY is the sum of all amounts, each of which is an amount required by subsection (7) or (9) to be added in computing the corporation's non-refundable research and development tax credit for any of the 10 taxation years preceding the taxation year or the three taxation years following that taxation year;

PD is the sum of all amounts, each of which:

- (a) is an amount deducted pursuant to subsection (5) from tax otherwise payable pursuant to this Act by the corporation for a preceding taxation year or an amount deemed to have been paid pursuant to subsection (3) by the corporation for a preceding taxation year; and
- (b) is related to an eligible expenditure incurred in the taxation year, in any of the 10 taxation years preceding the taxation year or the three taxation years following that taxation year.

(7) In calculating its non-refundable research and development tax credit for a taxation year, a corporation that is a beneficiary under a trust must add its share of the amount that the trust would be required to calculate as the amounts NRD, NRB and NRDPY pursuant to subsection (6) for that taxation year if the trust were a corporation.

(8) For the purposes of subsection (7), a corporation's share is the amount that would reasonably be considered as its share, having regard to all circumstances, including the terms and conditions of the trust.

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- (9) In calculating its non-refundable research and development tax credit for a taxation year, a corporation that is a partner must add its share of the amount that the partnership would be required to calculate as the amounts NRD, NRB and NRDPY pursuant to subsection (6) for that taxation year if the partnership were a taxpayer.
- (10) For the purposes of subsection (9), a corporation's share is the amount that would reasonably be considered as its share, having regard to all circumstances, including the terms and conditions of the partnership.
- (11) For the purposes of calculating the non-refundable research and development tax credit of a new corporation that is the result of an amalgamation, the new corporation is deemed to be the continuation of each of its predecessor corporations if:
- (a) the amalgamation took place after April 1, 2017; and
 - (b) one of its predecessor corporations had a non-refundable research and development tax credit, any portion of which was not deducted in any taxation year by the predecessor corporation in calculating its tax otherwise payable pursuant to this Act.
- (12) For the purposes of calculating the non-refundable research and development tax credit of a parent corporation a subsidiary of which has been wound up, the parent corporation is deemed to be the continuation of its subsidiary if:
- (a) the winding-up took place after April 1, 2012; and
 - (b) the subsidiary corporation had a non-refundable research and development tax credit, any portion of which was not deducted in any taxation year by the subsidiary corporation in calculating its tax otherwise payable pursuant to this Act.
- (13) A corporation may renounce its non-refundable research and development tax credit that would otherwise be claimable with respect to all or any of its eligible expenditures incurred during a taxation year on or before the date by which the non-refundable research and development tax credit would otherwise:
- (a) reduce, pursuant to paragraph 37(1)(d) of the federal Act, any deduction of the corporation for the purposes of section 37 of the federal Act; or
 - (b) reduce the corporation's qualified expenditures pursuant to any of subsections 127(18) to (20) of the federal Act.
- (14) If a corporation renounces its non-refundable research and development tax credit pursuant to subsection (13) with respect to all or any of its eligible expenditures incurred during a taxation year:
- (a) the eligible expenditures shall not be taken into account in calculating the non-refundable research and development tax credit for the corporation at the end of that or any other taxation year; and
 - (b) the corporation is deemed for all purposes never to have received, never to have been entitled to receive and never to have had a reasonable expectation of receiving that non-refundable research and development tax credit.

(15) Notwithstanding clause (1)(b), for the purpose of determining the refundable research and development tax credit or the non-refundable research and development tax credit of a corporation, the amount of a contract payment paid or payable by a person to the corporation for an eligible expenditure made by the corporation is deemed to be nil if:

- (a) the person is not entitled to treat the contract payment as an eligible expenditure pursuant to this section; or
- (b) the person is a corporation that has renounced the non-refundable research and development tax credit with respect to the contract payment pursuant to subsection (13).

(16) Subsection (4) does not apply to a corporation that is exempt from tax pursuant to section 149 of the federal Act”.

Section 64.2 amended

21 Subsection 64.2(10) is repealed and the following substituted:

“(10) The amount of an eligible corporation’s rebate for a taxation year is equal to:

- (a) if the eligible corporation has elected the detailed calculation method, the product of TR as determined in accordance with subsection (10.1) and the corporation’s eligible rental income for the taxation year; or
- (b) if the eligible corporation has elected the proxy calculation method, the product of TR as determined in accordance with subsection (10.1) and the proxy amount PA determined in accordance with the following formula:

$$PA = GRR \times PM$$

where:

GRR is the eligible corporation’s gross rental revenue for income earned for the period in the taxation year from an eligible rental housing project; and

PM is the deemed profit margin of the eligible corporation equal to the rate prescribed in the regulations.

“(10.1) For the purposes of subsection (10), TR is the total of all amounts T calculated in accordance with the following formula with respect to each period in the taxation year to which a different rate of tax set out in subsection 56(1) or (2) applies:

$$T = (GR - SR) \times \frac{DP}{DY}$$

where:

GR is the rate of tax set out in subsection 56(1) that applies to the period in the taxation year;

SR is the rate of tax set out in subsection 56(2) that applies to the period in the taxation year;

DP is the number of days in the period in the taxation year; and

DY is the number of days in the taxation year”.

Section 64.3 amended**22 The following subsection is added after subsection 64.3(1):**

“(1.1) For the purposes of determining an eligible corporation’s full-time employees at a facility in Saskatchewan in the definition of ‘employment level’, the minister may deem an employee of a corporation that is associated with the eligible corporation to be the employee of the eligible corporation if the eligible corporation provides evidence satisfactory to the minister that the employee either:

- (a) is permanently or normally assigned to work for the eligible corporation; or
- (b) would qualify within the definition of ‘employment level’ for the purposes of section 64.4 but has not been claimed pursuant to that section”.

Section 64.4 amended**23 The following subsection is added after subsection 64.4(1):**

“(1.1) For the purposes of determining an eligible corporation’s full-time employees at a facility in Saskatchewan in the definition of ‘employment level’, the minister may deem an employee of a corporation that is associated with the eligible corporation to be the employee of the eligible corporation if the eligible corporation provides evidence satisfactory to the minister that the employee either:

- (a) is permanently or normally assigned to work for the eligible corporation; or
- (b) is directly supporting the eligible corporation”.

Section 64.5 amended**24(1) Clause 64.5(1)(i) is amended by adding “, 63.4” after “63.3”.**

(2) Subsection 64.5(6) is amended in the portion preceding clause (a) by striking out “subsection (7)” and substituting “subsections (7) and (7.1)”.

(3) The following subsection is added after subsection 64.5(7):

“(7.1) Corporations receiving an incentive pursuant to this section are not eligible to receive an incentive pursuant to section 64.6”.

New section 64.6**25 The following section is added after section 64.5:****“Saskatchewan Commercial Innovation Incentive**

64.6(1) In this section:

- (a) **‘eligible corporation’** means a corporation that has been issued an SCII certificate pursuant to subsection 11(1) of *The Saskatchewan Commercial Innovation Incentive (Patent Box) Act*;
- (b) **‘qualifying SCII income’** means the amount by which the eligible corporation’s taxable income exceeds, if the corporation was a Canadian-controlled private corporation throughout the taxation year, the least of the amounts determined pursuant to paragraph 125(1)(a) to (c) of the federal Act with respect to the corporation for the taxation year;

(c) **'qualifying tax'** means the amount determined pursuant to subsection (7) for an eligible corporation for a taxation year;

(d) **'rebate'** means an amount determined pursuant to subsections (6) and (7);

(e) **'rebate period'** means the period set out in the SCII certificate based on whether that certificate was issued pursuant to subsection 11(2) or (3) of *The Saskatchewan Commercial Innovation Incentive (Patent Box) Act*;

(f) **'SCII certificate'** means a certificate issued by the minister responsible for the administration of *The Saskatchewan Commercial Innovation Incentive (Patent Box) Act*;

(g) **'SCII tax rate'** is 6%.

(2) Subject to subsection (3), an eligible corporation may apply for a rebate pursuant to section 12 of *The Saskatchewan Commercial Innovation Incentive (Patent Box) Act*.

(3) The minister may establish any procedures that the minister considers appropriate with respect to the manner in which the tax rebate mentioned in subsection (1) is to be claimed.

(4) An eligible corporation that intends to apply for an initial rebate for a taxation year must submit to the minister an application in a form acceptable to the minister that provides:

(a) a copy of its SCII certificate;

(b) a copy of its full T2 corporate income tax return, including all schedules;

(c) its Canada Revenue Agency notice of assessment for that taxation year; and

(d) any other information and records that the minister may require in order to determine the amount of the rebate.

(5) An application made by an eligible corporation pursuant to subsection (4):

(a) is irrevocable after it is provided to the minister; and

(b) initiates the rebate period that continues, subject to section 14 of *The Saskatchewan Commercial Innovation Incentive (Patent Box) Act*, for consecutive taxation years through the rebate period.

(6) The amount of an eligible corporation's rebate for a taxation year is equal to the amount R determined in accordance with the following formula:

$$R = T - QT$$

where:

T is the amount of tax paid by the eligible corporation pursuant to this Act for the taxation year before the application of any deductions or credits pursuant to section 58, 60.1, 61.1, 63.2, 63.3, 63.4, 64.3, 64.4, 67 or 67.1 for the taxation year; and

QT is the amount of the eligible corporation's qualifying tax for the taxation year.

(7) The amount of qualifying tax of the eligible corporation for a taxation year for the purposes of subsection (6) is equal to the total of all amounts QT calculated in accordance with the following formula with respect to each period in the taxation year to which a different rate of tax set out in subsection 56(1) or (2) applies or to which a different amount set out in section 56.5 applies:

$$QT = \left[\left(QI \times \frac{A}{B} \times QR \right) + \left(SBI \times \frac{A}{B} \times SR \right) \right] \times \frac{DP}{DY}$$

where:

QI is the amount of the eligible corporation's qualifying SCII income for the taxation year;

QR is the SCII tax rate;

SBI is, if the corporation was a Canadian controlled private corporation throughout the taxation year, the least of the amounts, subject to section 56.5, determined pursuant to paragraphs 125(1)(a) to (c) of the federal Act with respect to the corporation for the taxation year;

SR is the rate of tax set out in subsection 56(2) that applies to the period in the taxation year;

A is the amount of the corporation's taxable income earned in the taxation year in Saskatchewan;

B is the amount of the corporation's taxable income earned in the taxation year in all provinces;

DP is the number of days in the period in the taxation year; and

DY is the number of days in the taxation year.

(8) An application pursuant to subsection (2) must be made within three years after the first taxation year for which the eligible corporation intends to claim a rebate.

(9) Corporations receiving an incentive pursuant to section 64.1 or 64.5 are not eligible to receive an incentive pursuant to this section.

(10) Notwithstanding any of the provisions of this section:

(a) no rebate is payable for a taxation year before 2017;

(b) no rebate paid to an eligible corporation for a taxation year shall exceed the amount of tax paid for the taxation year pursuant to this Act by the eligible corporation;

(c) a rebate, or an entitlement to a rebate, may not be assigned or transferred by the eligible corporation that applied for the rebate; and

(d) if an SCII certificate is cancelled pursuant to section 14 of *The Saskatchewan Commercial Innovation Incentive (Patent Box) Act*, the minister may terminate the corporation's eligibility for a rebate for all subsequent taxation years remaining in the rebate period.

- (11) On receipt of an application pursuant to subsection (2), the minister may:
- (a) if the minister is satisfied that the applicant is an eligible corporation and has complied with this section, grant a rebate equal to the amount of the corporation's rebate determined pursuant to subsection (6) for the taxation year; and
 - (b) if the minister is satisfied that the corporation is not entitled to a rebate, send a written notice of determination to the corporation setting out the determination that the corporation is not entitled to the rebate and the reasons for the determination.
- (12) The minister shall initially determine the amount of the rebate payable pursuant to this section to an eligible corporation for a taxation year by reference to the most recent assessment of tax payable by the eligible corporation for the taxation year pursuant to this Act.
- (13) If, after an initial determination has been made pursuant to subsection (12), the federal minister issues any assessment or reassessment of the amount of tax payable or paid by the eligible corporation for the taxation year pursuant to this Act:
- (a) the eligible corporation must submit to the minister each subsequent notice of assessment or notice of reassessment within three months after the assessment or reassessment; and
 - (b) the minister may make any adjustments to the amount of the eligible corporation's rebate determined pursuant to subsection (6) that may be necessary to reflect any subsequent assessment or reassessment issued by the federal minister.
- (14) If the minister acts pursuant to subsection (13), the minister shall:
- (a) pay to the eligible corporation any additional rebate to which it is entitled pursuant to this section for the taxation year, without interest; or
 - (b) serve a written demand on the eligible corporation for the repayment of the rebate or the excess amount of the rebate to which the corporation is not entitled for the taxation year.
- (15) If, after a rebate pursuant to this section is paid to a corporation, it is subsequently determined that the corporation received a rebate to which it was not entitled or received an amount greater than the amount of the rebate to which it was entitled or if a written demand is served on the corporation pursuant to clause (14)(b), the corporation shall:
- (a) repay the amount of the rebate or the excess amount, as the case may be, to the minister; and
 - (b) pay interest to the minister on the amount of the rebate or the excess amount, as the case may be, computed pursuant to this Act as if the amount or excess were tax payable pursuant to this Act from the day on which the amount or the excess amount was paid to the corporation to the day on which it is repaid to the minister.

(16) Notwithstanding clause (15)(b), interest is not payable by an eligible corporation if the amount of the rebate or the excess amount as determined pursuant to subsection (15) is the result of the eligible corporation claiming a deduction pursuant to section 111 of the federal Act with respect to a loss for a subsequent taxation year.

(17) A rebate overpayment mentioned in subsection (15) is a debt due to the Crown in right of Saskatchewan and may be recovered:

(a) as if it were a tax pursuant to Part III of *The Revenue and Financial Services Act*; or

(b) in any other manner authorized by law”.

Coming into force

26 The provisions of this Act mentioned in Column 1 of the following table come into force as set out in Column 2 of the table:

Item	Column 1 Provision of Act	Column 2 Commencement
1	Sections 1, 2 and 26	on assent
2	Sections 3 to 11, 13, 16, 24 and 25	on assent, but are retroactive and are deemed to have been in force on and from January 1, 2017
3	Sections 12 and 14	on assent, but are retroactive and are deemed to have been in force on and from January 1, 2016
4	Sections 15 and 21	come into force on July 1, 2017
5	Sections 17 and 18	on assent, but are retroactive and are deemed to have been in force on and from March 23, 2017
6	Sections 19 and 20	on assent, but are retroactive and are deemed to have been in force on and from April 1, 2017
7	Sections 22 and 23	on assent, but are retroactive and are deemed to have been in force on and from January 1, 2015

FIRST SESSION
Twenty-eighth Legislature
SASKATCHEWAN

B I L L

No. 69

An Act to amend *The Income Tax Act, 2000*

Received and read the

First time

Second time

Third time

And passed

Honourable Kevin Doherty
