

Ontario Budget 2004 - *Electricity Act, 1998* Measures

6007

About this Notice

On May 18, 2004, a number of measures relating to the *Electricity Act, 1998* (the Act) were proposed in the 2004 Ontario Budget. The legislation must receive passage by the Legislature and Royal Assent to become law.

Holding Companies

The Act would be amended to confirm that holding companies that acquire, hold, dispose of or otherwise deal with shares of a corporation established pursuant to section 142 of the Act are considered municipal electricity utilities. The proposed amendments would apply to:

- a holding company established by one or more municipalities after November 6, 1998 and before May 2, 2003; and
- a holding company established by a municipality after May 1, 2003 under the Municipal Act, 2001.

Transfer Tax

Currently, any underpayment or non-payment of transfer tax voids a sale of electricity assets. It is proposed that the Minister of Finance be given authority to prescribe exceptions to this rule upon payment of the tax and any interest and penalties for example, where transfer tax is paid in good faith but an underpayment arises from an assessment.

Transfer tax was intended as a one-time tax on the transfer of electricity assets. However, when a taxpayer reinvests the after-tax proceeds of a transfer in other electricity assets and those other assets are also transferred, transfer tax may be levied on the second transfer. The effect is a “cascading” of transfer tax on the reinvested proceeds. It is proposed that the Minister of Finance be authorized to set rules to relieve this “cascading” of transfer tax.

Transfer tax payable can be reduced by federal capital gains tax incurred on a transfer of electricity assets. This Budget proposes to extend the transfer tax offset to include federal tax payable on gains arising from the transfer of eligible capital property. This amendment would be effective November 7, 1998.

For More Information

Please contact the Ministry Information Centre between 8:15 AM and 5:00 PM toll free from anywhere in Canada:

- English language enquiries 1-800-263-7965;
- French language enquiries 1-800-668-5821; and
- TTY (Teletypewriter) 1-800-263-7776; or
- Visit our website at www.rev.gov.on.ca