

**Electricity Act, 1998 – Regulation Amendments****6018****About this Notice**

This notice provides information on amendments to Regulations 162/01 and 207/99 of the *Electricity Act, 1998* filed February 9, 2007. The amendments impact the calculation of payments in lieu of federal and provincial corporate tax (PIL's) and apply to municipal electricity utilities (MEU's), Ontario Power Generation Inc., Hydro One Inc. and their subsidiaries.

**PIL's and Gifts to Municipalities**

The amendment to Regulation 162/01 implements the 2006 Budget announcement disallowing the deduction of the value of gifts made to an Ontario municipality. It applies to gifts made by MEU's in taxation years ending after March 22, 2006.

The amendment maintains a level playing field between public and private sector electricity utilities and their shareholders. In the absence of this restriction, an MEU could make a donation to its municipal shareholder and deduct this amount when computing its taxable income for PIL purposes. Generally, a private sector utility cannot deduct the amount of a gift made to its shareholder when calculating taxable income.

**PILs and Tax Shelters**

Technical amendments to Regulations 162/01 and 207/99 ensure that the federal rules in subsection 237.1(6) of the *Income Tax Act* (Canada) apply to restrict the deduction of amounts incurred in respect of unregistered tax shelters. The amendments apply to MEU's, Ontario Power Generation Inc., Hydro One Inc., and their subsidiaries, which are effective for taxation years ending after February 9, 2007.

The adoption of this federal restriction is consistent with the principle that payments in lieu of corporate tax under the *Electricity Act, 1998* should approximate the amount of tax that would be payable under federal and provincial corporate tax legislation by a private sector utility.

**For More Information**

Please contact the Ministry Information Centre between 8:15 a.m. and 5 p.m.

- English language enquiries 1 800 263-7965 (Canada & U.S)
- French language enquiries 1 800 668-5821 (Canada & U.S)
- TTY (Teletypewriter) 1 800 263-7776

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