

Amendments to Ontario Regulations 162/01 and 207/99 under the *Electricity Act, 1998*

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About this Notice

This notice is to inform public electricity utilities that the Minister of Finance has amended O. Regulations 162/01 and 207/99 to implement measures announced in the 2007 Ontario Budget and make consequential adjustments to the regulations as a result of the applicability of the *Taxation Act, 2007* for taxation years ending after December 31, 2008.

The 2007 Ontario Budget proposed to introduce several measures to maintain a level playing field between public and private electricity utilities and their shareholders. These measures addressed transfers of property, deductions, loss utilization and interest on loans from municipalities.

Amendments of O. Regulation 162/01 and 207/99

Amendments have been made to:

- allow public electricity utilities to defer payments in lieu of federal and Ontario corporate taxes (PILs) on rollovers under section 85 and subsection 97(2) of the *Income Tax Act (Canada)*. The rules allow for a rollover only on the transfer of property within the PILs regime (e.g., rollover transfer of property from one public electricity utility to another public electricity utility). This measure applies to rollovers that occur in a taxation year of the transferor that ends after October 1, 2001.
- deny capital gain treatment on the disposition of partnership interests where the disposition is to entities outside the PILs regime, and where the gain is not attributable to increases in the value of any non-depreciable capital property of the partnership. This measure is effective for dispositions after December 31, 2007.
- prevent municipal electricity utilities (MEUs) from using losses and deductions from other businesses against revenue from core electricity businesses. This means that losses from a particular business are only used to offset income from that particular business by carrying forward the losses to subsequent taxation years. This measure is effective for taxation years ending after December 31, 2007.

No amendments have been made to limit the deductibility of interest paid by MEUs to their tax-exempt shareholders. The imposition of limits will be revisited in the future.

Effective April 3, 2008, the Canada Revenue Agency began administering corporate taxes on behalf of Ontario. However the Ministry of Revenue continues to administer PILs. The PILs regulations have been amended accordingly.

More Information

Telephone

Please contact the Ministry of Revenue Monday to Friday between 8:30 am and 5:00 pm at:

- 1 866 ONT-TAXS (1 866 668-8297)
- 1 800 263-7776 teletypewriter (TTY)

Website

ontario.ca/revenue

Disclaimer

The information contained in this publication is provided only as a guideline and is not intended to replace the legislation.

Cette publication est disponible en français sous le titre «Modifications aux règlements de l'Ontario 162/01 et 207/99 pris en application de la Loi de 1998 sur l'électricité». Vous pouvez en obtenir un exemplaire en appelant le 1 866 ONT-TAXS (1 866 668-8297) ou en visitant ontario.ca/revenu.

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