

***The  
Corporate Tax  
Reduction for New  
Small Businesses  
Regulations***

*Repealed*

by Saskatchewan Regulations 40/98 (effective May 13, 1998).

*Formerly*

Chapter I-2 Reg 4 (effective June 13, 1986)  
as amended by Saskatchewan Regulations 67/90.

**NOTE:**

This consolidation is not official. Amendments have been incorporated for convenience of reference and the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. In order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

## Table of Contents

- 1 Title
- 2 Interpretation
- 3 Relationships between businesses
- 4 Application of clause 7.1(6)(f) of Act
- 4.1 Application of subsection 7.1(7) of the Act

## CHAPTER I-2 REG 4

### *The Income Tax Act*

#### **Title**

**1** These regulations may be cited as *The Corporate Tax Reduction for New Small Businesses Regulations*.

#### **Interpretation**

**2** In these regulations, “**Act**” means *The Income Tax Act*.

23 Jan 87 CI-2 Reg 4 s2.

#### **Relationships between businesses**

**3(1)** In this section, “**business**” includes a corporation as well as a business.

**(2)** With respect to taxation years commencing on or before December 31, 1988, for the purposes of section 7.1 of the Act:

**(a)** a corporation is associated with a business if, at any time in the year:

**(i)** one of the businesses controlled the other;

**(ii)** both of the businesses were controlled by the same person or group of persons;

**(iii)** each of the businesses was controlled by one person and the person who controlled one of the businesses was related to the person who controlled the other, and one of those persons owned, directly or indirectly, in respect of each business, not less than 10% of the issued shares of any class of the capital stock of, or not less than 10% of any other equity interest in, the business;

**(iv)** one of the businesses was controlled by one person and that person was related to each member of a group of persons that controlled the other business, and that person or that group of persons owned, directly or indirectly, in respect of each business, not less than 10% of the issued shares of any class of the capital stock of, or not less than 10% of any other equity interest in, the business; or

**(v)** each of the businesses was controlled by a related group and each of the members of one of the related groups was related to all of the members of the other related group, and either of the related groups owned, directly or indirectly, in respect of each business, not less than 10% of the issued shares of any class of the capital stock of, or not less than 10% of any other equity interest in, the business; and

**(b)** if two businesses are associated, within the meaning of clause (a), with the same business at the same time, they are deemed to be associated with each other.

(3) With respect to taxation years commencing on or before December 31, 1988, for the purposes of subsection (2), one business is controlled by another business if more than 50% of its issued share capital having full voting rights under all circumstances, or 50% of any other equity interest in the business, belongs to:

- (a) the other business;
- (b) persons with whom the other business does not deal at arm's length; or
- (c) the other business and persons with whom the other business does not deal at arm's length.

(4) For the purposes of subsection (3), persons who are related are deemed not to deal with each other at arm's length.

(5) With respect to taxation years commencing on or after January 1, 1989, subject to subsection (6), section 256 of the Federal Act applies, with any necessary modification, in determining whether a corporation is associated with a business for the purposes of section 7.1 of the Act and of these regulations.

(6) With respect to taxation years commencing on or after January 1, 1989, for the purposes of section 7.1 of the Act and of these regulations, a corporation is deemed to be associated with a business if more than 50% of the corporation's issued share capital having voting rights in all circumstances is owned by a person or group of persons that does not deal at arm's length with a person or group of persons that owns more than 50% of:

- (a) the issued share capital of the business that has full voting rights under all circumstances; or
- (b) any equity interest in the business.

(7) For the purposes of this section, a reference in section 256 of the Federal Act to:

- (a) "**corporation**" is deemed to include any form of unincorporated business;
- (b) "**shares**" and "**capital stock**" is deemed to include any other equity interest; and
- (c) "**shareholder**" is deemed to include the holder of an interest mentioned in clause (b).

23 Jan 87 cI-2 Reg 4 s3; 14 Sep 90 SR 67/90 s3.

**Application of clause 7.1(6)(f) of Act**

**4** Clause 7.1(6)(f) of the Act does not apply to a corporation that acquires or leases:

- (a) property, the aggregate market value of which, at the time that it is acquired or leased from another business, is less than the greater of:
  - (i) 20% of the book value of the total assets of the corporation, determined as at the end of the taxation year for which application is made for the deduction; and
  - (ii) \$5,000; or

(b) property from another business, where the principal business location of the other business is more than 70 kilometres from the principal business location or intended principal business location of the corporation at the time of the transfer of the property.

14 Sep 90 SR 67/90 s4.

**Application of subsection 7.1(7) of the Act**

**4.1** Subsection 7.1(7) of the Act does not apply to a corporation:

(a) whose principal business location is situated more than 70 kilometres from the location of a business of a similar nature; or

(b) that would not have been associated with a business of a similar nature if the corporation, as it exists at any time in the taxation year in question, had been incorporated at any time in the 12-month period prior to its incorporation.

14 Sep 90 SR 67/90 s4.