

# NOTE ON HOW TO READ THE INCOME TAX ACT (ITA)

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The Canadian Income tax Act (ITA) is a complex document. Here's some hints on how to read and use the ITA.

The ITA is published regularly by three major publishers:

- CPA Canada
- Ernst & Young's Federal Income Tax Act (FITA)
- CCH
- Canadian Income Tax Act with Regulations Annotated (CITA)
- Carswell
- Practitioner's Income tax Act (PITA)
- Stikeman Income Tax Act (Stikeman)

## **Difficulty to read the ITA**

Sherman (1997, p.51) indicates a list of factors explaining the difficulty to read the ITA.

- «every subsection is a single sentence» (See also Edwards. *CTJ* 1984, 32(4), p.727-738)
- «almost every provision contains cross-references to other provisions»
- «the words of the Act do not, on their face, give the slightest indication as to which part of a rule is the "usual" rule and which parts are the many exceptions and special cases»
- «the Act uses many defined terms»
- «pending amendments must always be considered»

## **Keeping up to date**

You should keep your ITA up to date.

Look for the consolidated date.

Look for news in services.

Compare using a print version vs an electronic version  
(e.g. CCH TaxWorks, CPA Canada's Tax Suite).

## **General structure of the ITA** (based on FITA and CITA)

(Note: not all content are presented and not necessarily in the same order)

Table of contents (TOC)	TOC General TOC Sectional list ITA TOC Regulations TOC Sectional list regulations
Pending legislation Table of proposed amendments	
Summary of amendments	ITA Regulations
Table of Amending Acts	
Table of concordance	ITA S.C. 1970-71-72, c.63 = R.S.C 1985 5th supplement
References tables	Current tax rates and credits (individuals and corporations) Prescribed quarterly interest rates Automobile rates and limits, mileage rates Yearly average conversion rates for major currencies
Government information	Government press releases and announcements Department of Finance Comfort Letters
Income Tax Act (ITA)	(See detailed structure)
Income Tax Application Rules (ITAR)	
Income Tax Regulations	Parts I - XC Schedules I - X II, III, IV, V, VI - Capital cost allowance (CCA) VII - publicly-traded shares or securities (Dec 22, 1971) VIII - universities
Remission orders	
Tax Conventions	List of international tax conventions Rates of withholding tax under agreements signed by Canada Canada - US + technical explanation Canada - UK Income tax Conventions Interpretation Act Interpretation Act
Table of Defined terms	
Topical Index	

## **Detailed structure of the ITA** (based on FITA and CITA)

(Note: not all sections or group of sections are listed)

1	Short title
	<u>Part I - Income Tax</u>
2	Liability for tax
3-4	Computation of net income
5-8	Income from employment
9-37.3	Income from a business and income from property
38-55	Taxable capital gain / Allowable Capital loss
56-59.1	Other income
60-66.8	Other deductions
67-81	Computation of income
82-95	Corporations and shareholders
96-103	Partnerships
104-108	Trusts
109-114.2	Computation of taxable income
115-116	Taxable income earned in Canada by non-residents
117-122.71	Computation of tax - Individual
123-125.5	Computation of tax - Corporations
126-127.55	Computation of tax - all taxpayers
128-143.4	Special rules
144-148.1	Deferred and Other Special income arrangements
149-149.2	Exemptions
150-180	Procedures and administration
	<u>Other than Part I</u>
180.01-	Part I.01 - Tax in respect of stock option benefit deferral
180.1-	Part I.1 - Individual surtax (repealed)
180.2-	Part I.2 - Tax on Family allowances and OAS benefits
181	Part I.3 - Tax on Large corporations
182-183	Part II - Tobacco manufacturers' surtax
183.1	Part II.1 - Tax on Corporate distributions
184-185	Part III - Additional tax on excessive elections
186	Part IV - Tax on Taxable dividends received by private corporations
187.7-189	Part V - Tax and penalties in respect of qualified donees
194	Part VIII - Refundable tax on corporations in respect to SR&ED
212	Part XIII - Tax on income from Canada of non-resident persons
219-219.3	Part XIV - Additional Tax on non-resident corporations
220-244	Part XV - Administration and enforcement
245-246	Part XVI - Tax avoidance (GAAR)
247	Part XVI.1 - Transfer pricing
248-260	Part XVII - Interpretations - Definitions

## Contents of a section of the ITA

		FITA	CITA	PITA	Stike man
Law		X	X	X	X
Pending amendment	Draft legislation	X	X	X	X
	Applicable date	X	X	X	X
	Explanatory note	X	X	X	X
	Other pending changes (release)	X		X	X
History	Pre-RSC history			X	X
	After RSC history (after 1992)	X	X	X	X
Editorial notes	(purpose of provisions)		X	X	
Related provisions/sections		X	X	X	X
Referenced provisions		X			
Definitions				X	X
Regulations		X	X	X	X
Comfort letter		X	X		
Remission orders				X	X
Cases		X	X	X	X
Income tax Folios (Folio)		X	X	X	X
	Primary & Secondary sources	X	X		
Interpretations Bulletins (IT)		X	X	X	X
	Primary & Secondary sources	X	X		
Information Circulars (IC)		X	X	X	X
Advance Tax Rulings (ATR)		X	X	X	X
CRA Publications	Income Tax Technical News	X	X	X	X
	SR&ED Application Policies	X	X	X	X
	Registered charities newsletter	X	X	X	
Forms		X	X	X	X
CRA Rulings		X	X		
CRA Guides			X		
Articles	Canadian Tax Foundation	X	X		
	CCH Tax Topics		X		
	CCH Tax Profile		X		
	Canadian Petroleum Tax Journal		X		
	Tax Window files		X		