

# **GUIDE FOR APPLICANTS**

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## **ALBERTA ROYALTY CREDIT**

**(For Individuals, Trusts and Estates)**

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March 2007



**Tax and Revenue Administration**

This Guide contains information about the Alberta royalty credit and the forms that individuals, trusts and estates will file when claiming the credit. It is intended to assist you to complete the application. Every effort has been made to ensure the contents are accurate. However, if a discrepancy should occur in interpretation between this Guide and the *Alberta Corporate Tax Act*, the legislation takes precedence.

**Note: As announced by the Alberta government on September 21, 2006, Alberta will discontinue its Royalty Credit for Individuals and Trusts (RCIT) program effective January 1, 2007.**

**Claimants may still make their claims on eligible Alberta crown royalties paid or payable by them in respect of production before January 1, 2007.**

**For all taxation years ending on or after January 1, 2007 a claimant must complete their filing using the prescribed forms prepared in respect of the taxation year end being claimed (for example a trust with a March 31, 2007 year end must complete the 2007 AT60 for this period). Failure to file using the correct form will result in rejection of the claim.**

**Alberta Finance, Tax and Revenue Administration will post all updated forms on our website with instructions for claimants to make their claims on eligible Alberta crown royalties paid or payable by them in respect of production before January 1, 2007 as they are developed.**

For additional forms or information, please contact:

Alberta Finance, Tax and Revenue Administration at:

9811-109 St.  
EDMONTON, AB T5K 2L5

General Inquiries/Forms:  
(780) 427-3044

Fax:  
(780) 422-3770

Alberta callers outside Edmonton may telephone toll free by entering 310-0000, then the applicable general inquiries or fax number shown above.

You may also contact us by e-mail at: [tra.revenue@gov.ab.ca](mailto:tra.revenue@gov.ab.ca)

This Guide makes references to information circulars for more detail. These circulars are published on Alberta Finance's website at: [www.finance.alberta.ca/business/tax\\_rebates/bill18\\_personal/links\\_tax\\_forms\\_royalty.html](http://www.finance.alberta.ca/business/tax_rebates/bill18_personal/links_tax_forms_royalty.html). Printed copies are also available from one of the Tax and Revenue Administration (TRA) office listed above.

Although these circulars were written with the corporate taxpayer in mind, the basic information also applies to individuals claiming the royalty credit.

In this Guide, unless otherwise indicated, a reference to an "individual" includes an individual, a trust or an estate.

## INTRODUCTION

Individuals, trusts and estates (collectively referred to as "individuals") can claim the Alberta royalty credit by completing the prescribed form AT60, [Alberta Royalty Credit and Alberta Tax Refunds Application for Individuals](#) prepared in respect of their tax year end, and forwarding it after the end of the taxation year, along with all required supporting documentation to:

ALBERTA FINANCE  
TAX AND REVENUE ADMINISTRATION  
9811-109 ST  
EDMONTON, AB T5K 2L5

Claiming the credit is a separate process from filing an individual's tax return. The credit is not applied against federal or provincial tax liability, but paid outright by a cheque issued by Alberta Finance.

The Alberta royalty credit applies to an individual who has Alberta crown royalty in a taxation year. An individual's Alberta crown royalty consists of certain royalties receivable by, or payable to, the Government of Alberta under a lease or licence granting petroleum, natural gas, or petroleum and natural gas rights. See Line 12 of the **Completion of the Application Form AT60** section of this Guide.

The Alberta royalty credit for a taxation year is calculated by multiplying the individual's eligible Alberta crown royalty, to a maximum of the crown royalty shelter (see Line 14 of this Guide), by a weighted average of the prescribed quarterly rates in effect over the year. The rate is a function of the Royalty Tax Credit reference price set by the Minister of Energy, based on oil and gas par prices for the previous calendar quarter.

### Applying for the Alberta Royalty Credit

To claim the Alberta royalty credit, complete form AT60, [Alberta Royalty Credit and Alberta Tax Refunds Application for Individuals](#) and submit it, with documentation to support the claim, to TRA. Examples of supporting documentation include joint venture billings, operator statements, and partnership allocation statements.

To be entitled to the credit, your complete application (AT60 and satisfactory supporting documentation) for a taxation year must be received by TRA **no later than three years after the taxation year-end to be claimed**. By law, applications received **after the three-year deadline cannot be processed**.

Compound interest will be paid at the prescribed rate on the credit from the later of the date:

- the complete application was received at TRA; or
- three months from the end of the taxation year, to the date the credit is paid

## Administration of the Alberta Royalty Credit

Your complete application will be reviewed and the amount of Alberta royalty credit determined by TRA. A **Notice of Determination** advising you of the amount of credit, and interest, if any, will be sent to you.

If you do not agree with the decision indicated in the Notice of Determination you should first discuss the matter with TRA Information Services by calling the telephone number listed above. If the outcome of this discussion is not satisfactory, you may formally object to the determination made by filing a **Notice of Objection** by registered mail to:

TAX SERVICES  
TAX AND REVENUE ADMINISTRATION  
ALBERTA FINANCE  
9811-109 ST  
EDMONTON, AB T5K 2L5

The objection will be reviewed impartially and you will be advised of the result of the review. The objection must be received by TRA **within 90 days** of the mailing of the Notice of Determination.

### Records and Books

Individuals claiming the Alberta royalty credit are required by section 61 of the *Alberta Corporate Tax Act* to keep records and books of account to support their claims. These records are subject to review by TRA auditors.

By policy, TRA permits an individual to locate records and books elsewhere in Canada. If an individual wishes to maintain the records and books outside Canada, written permission must be obtained from TRA to do so.

If an individual has received permission to keep records outside of Canada, he/she must, upon TRA's request and at his/her own cost, forward the records and supporting documentation to TRA or a business location in Canada, or arrange to have TRA audit staff visit at the location of the records. The individual will be responsible for absorbing the incremental costs incurred by TRA in sending auditors outside Canada. Information Circulars [CT-13 \(Records and Books\)](#) and [CT-10 \(The Tax Audit\)](#) provide further details on these subjects.

### Audit of Claims

If an auditor believes a revision to the credit is justified, TRA will provide you with an explanation of all proposed changes. You will be given reasonable time to respond to the proposals and discuss them with TRA.

If your Alberta royalty credit is reduced from the amount initially determined, you will be assessed interest calculated from the initial process date to the assessed date on any

overpayment. If there is an increase in the Alberta royalty credit entitlement for a taxation year, interest will be paid to you on the additional credit. Interest will be calculated from the later of:

- the day on which the complete application was received at TRA, or
- the end of the third month of the year after the taxation year,

until the date of payment.

A **Notice of Determination** reporting any changes to the credit and the amount of interest, if any, will be sent to you.

### **COMPLETION OF THE APPLICATION (FORM AT60)**

This form is to be completed by individuals claiming the Alberta royalty credit. The completed form **together with all required supporting documentation** must be submitted to the address noted at the top of the form.

#### **Lines 1, 2 and 3: Name, Address and Alternative Address**

On line 2, provide your usual mailing address, including the country code.

The most-often used country codes are:

Canada – CA	United States – US	Denmark	- DK
Germany – DE	United Kingdom – GB		

If your country code is not listed above, please contact our Information Services office at (780) 427-3044. If calling long distance within Alberta, telephone 310-0000 then enter (780) 427-3044.

If there is another address to which the Notice of Determination is to be sent, enter it on line 3.

#### **Lines 6 and 7: Taxation Year**

Provide the year, month and day of both the beginning and end of your taxation year. A trust or estate may have a taxation year that is not the same as the calendar year. For other individuals, the taxation year is always the calendar year.

#### **Line 8: Business Identification Number (BIN)**

TRA has assigned a nine digit Business Identification Number (BIN) to all Alberta royalty credit applicants. Please use this BIN on all future applications to, and correspondence with, TRA. This number will be used by TRA on all correspondence regarding your account.

If you are a first-time filer leave this line blank. TRA will assign a BIN when your claim is received and that number will appear on your Notice of Determination.

### **Line 9: Social Insurance Number**

Provide your Social Insurance Number if you are a Canadian resident. If you are not and you have filed before, please use your BIN. Trusts and estates should leave this line blank.

### **Line 10: Date of Birth**

The year, month and day of your birth will assist TRA in identifying you. Trusts and estates should leave this line blank.

### **Line 11: Name Change**

TRA's database of Alberta royalty credit claimants has been developed from data received on previous claims submitted to TRA. Notify TRA of any name changes to enable us to update the information correctly on our database and to ensure timely processing of your application.

### **Line 11A: Previous Name**

Complete line 11A only if you have indicated "1 - Yes" on line 11.

### **Line 12: Alberta Crown Royalty**

On line 12, enter your share of the total eligible Alberta crown royalty for the taxation year. Please note that only Alberta crown royalty paid or payable in respect of production prior to January 1, 2007 from Alberta oil and gas wells in which you had a working interest is eligible for the claim.

Alberta crown royalty consists of certain royalties receivable by, or payable to, the Government of Alberta under an agreement granting petroleum, natural gas, or petroleum and natural gas rights.

Excluded from Alberta crown royalty are:

- a) freehold royalties;
- b) royalties paid to governments other than the Alberta government, including royalties for production from wells on Indian lands within Alberta;
- c) royalty income received by the individual;
- d) Alberta crown charges (other than crown royalties); e. g., freehold mineral taxes, lease rentals and bonuses and interest on overdue royalties; and
- e) royalties on production from any interest in a restricted resource property, as described in the following paragraph

There are two types of property that qualify as "restricted resource property":

- a) an oil or gas well with a finished drilling date on, or before, August 24, 1982 that, on August 24, 1982, was owned by:
  - an above-limit corporation that, in itself or as part of an associated group, was at the maximum credit at that time, or
  - a partnership of such corporations; or
- b) a well that, after April 7, 1986 and after the finished drilling date of the well, was disposed of by:
  - a restricted corporation that, in itself or as part of an associated group, was at its maximum credit in the previous taxation year, or
  - by a restricted partnership with restricted corporations as partners.

#### **Line 14: Crown Royalty Shelter**

A "crown royalty shelter" is the maximum amount of Alberta crown royalty on which the Alberta royalty credit may be claimed in a year. The crown royalty shelter is \$2,000,000 for taxation years ending in 1995 or later. Please refer to form AT60, the Alberta royalty credit application for information about the calculation.

For a taxation year less than 365 days, divide the number of days in the taxation year by 365, then multiply the result by \$2,000,000. Enter this amount at line 14.

#### **Line 16: Alberta Royalty Credit**

The Alberta royalty credit rate is established quarterly by a formula set out in the Regulations to the *Alberta Corporate Tax Act*. The rate is a function of the royalty tax credit reference price that, in turn, is a function of oil and gas par prices for the previous calendar quarter.

The quarterly rates must be converted into an annual equivalent for year-end credit claims. Calculate the annual equivalent, the "weighted average rate", by multiplying **each** specified rate in effect during the taxation year by the number of days in the taxation year for which that particular rate was in effect and dividing by the total number of days in the taxation year. Total together the resulting amounts of all quarters claimed.

Individuals with a calendar end taxation year should use the rate given on the form for determining the Alberta royalty credit. Those with taxation years other than a calendar year must use the following information to calculate their weighted average rate:

For every quarter since the first quarter of 2003, the specified rate is 25.00 per cent. Use this rate to calculate the amount at line 16 on the application.

To reduce processing costs, applications for Alberta royalty credit refunds of less than \$20.00 are not normally processed or paid, unless TRA is specifically requested to do so.

### **Line 18: Part 11 Alberta Tax Refunds Payable**

For information on Alberta Tax Refunds, refer to form [AT245, "Schedule for Calculating the Alberta Tax Refunds"](#) and instruction sheet ["Alberta Income Tax Refund for Individuals and Trusts - Background and Completing Instructions"](#).

### **Certification**

Please ensure that the name of the person signing the application is printed in the space provided and that you have indicated a telephone number where you can be contacted should TRA have questions concerning your application.