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# NATIONAL ASSEMBLY OF QUÉBEC

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FIRST SESSION

FORTY-SECOND LEGISLATURE

Bill 42  
(2020, chapter 16)

**An Act to give effect to fiscal  
measures announced in the Budget  
Speech delivered on 21 March 2019  
and to various other measures**

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**Introduced 7 November 2019  
Passed in principle 19 November 2019  
Passed 23 September 2020  
Assented to 24 September 2020**

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## EXPLANATORY NOTES

*The purpose of this Act is to give effect to fiscal measures announced in the Budget Speech delivered on 21 March 2019 and in various Information Bulletins published in 2017, 2018 and 2019.*

*For the purpose of introducing or modifying fiscal measures specific to Québec, the Act amends, among others,*

*(1) the Tax Administration Act to standardize the penalty relating to the attribution of tips with other penalties provided for in that Act;*

*(2) the Mining Tax Act to introduce a sustainable development certification allowance;*

*(3) the Taxation Act to make amendments that deal, among other things, with*

*(a) in connection with the refundable tax credit granting an allowance to families, the enhancement of the basic component and broadening of the supplement for handicapped children requiring exceptional care;*

*(b) the introduction of a refundable tax credit for small and medium-sized businesses to foster the retention of experienced workers;*

*(c) the addition of new eligible expenses for the purposes of the refundable tax credit relating to tip reporting;*

*(d) the temporary enhancement of the refundable tax credit for investments relating to manufacturing and processing equipment; and*

*(e) the introduction of additional deductions for depreciation;*

*(4) the Tax Administration Act, the Act respecting contracting by public bodies and the Taxation Act to implement additional measures to protect the integrity and fairness of the Québec tax system, including a special framework to better counter sham tax schemes; and*

*(5) the Act respecting the sectoral parameters of certain fiscal measures to make amendments that deal, among other things, with the reduction of the capital investment threshold applicable to a large investment project carried out in a remote region.*

*In addition, the Taxation Act and the Act respecting the Québec sales tax are amended to make amendments similar to those made to the Income Tax Act and the Excise Tax Act by federal bills assented to mainly in 2017 and 2018. More specifically, the amendments deal with*

*(1) fiscal treatment of certain indemnities or benefits paid to Canadian Forces members and veterans;*

*(2) tax on split income;*

*(3) tax consequences relating to the holding of certain investments or the granting of certain benefits through registered education savings plans or registered disability savings plans;*

*(4) rules to facilitate the reorganization of certain investment funds with tax deferral; and*

*(5) rules relating to the Québec sales tax rebate in respect of pension plans.*

*Lastly, the Act makes various technical amendments as well as consequential and terminology-related amendments.*

**LEGISLATION AMENDED BY THIS ACT:**

- Tax Administration Act (chapter A-6.002);
- Act respecting contracting by public bodies (chapter C-65.1);
- Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (chapter F-3.2.1);
- Mining Tax Act (chapter I-0.4);
- Taxation Act (chapter I-3);
- Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1);

- Act respecting the Québec sales tax (chapter T-0.1);
- Act to improve the performance of the Société de l'assurance automobile du Québec, to better regulate the digital economy as regards e-commerce, remunerated passenger transportation and tourist accommodation and to amend various legislative provisions (2018, chapter 18).

**REGULATIONS AMENDED BY THIS ACT:**

- Regulation respecting the Taxation Act (chapter I-3, r. 1);
- Regulation respecting the Québec sales tax (chapter T-0.1, r. 2).

## **Bill 42**

### **AN ACT TO GIVE EFFECT TO FISCAL MEASURES ANNOUNCED IN THE BUDGET SPEECH DELIVERED ON 21 MARCH 2019 AND TO VARIOUS OTHER MEASURES**

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

#### TAX ADMINISTRATION ACT

**L.** (1) Section 25.1.2 of the Tax Administration Act (chapter A-6.002) is amended

(1) by replacing “Where” in the first paragraph by “Subject to the second paragraph, where”;

(2) by replacing the second paragraph by the following paragraph:

“Where the formal demand referred to in the first paragraph relates to an amount that may be owed by a particular person under the Act respecting the Québec sales tax (chapter T-0.1) or to a refund to which the particular person may be entitled under that Act, the period during which the time limit described in the second paragraph of section 25 is suspended begins on the day an application for judicial review is presented before the Superior Court in relation to the formal demand, where the formal demand is notified to the particular person in accordance with the first paragraph of section 39, or, where the Minister made, in accordance with section 39.2, an application to a judge of the Court of Québec to issue an order, in relation to the formal demand, the day on which the particular person contests the application for an order, and ends on the day on which a final judgment is rendered in relation to the formal demand or the order and on which, if applicable, the information, additional information or documents, as the case may be, are filed in accordance with the formal demand or the order.”

(2) Subsection 1 has effect from 13 December 2018, except where paragraph 2 of subsection 1 applies in relation to a formal demand for information, additional information or documents held abroad, in which case it applies in relation to an application for judicial review of the formal demand or to a contestation of an application for an order in relation to the formal demand that occurs after 25 October 2018.

(3) For the purposes of subsection 2, information, additional information or documents held abroad means such information available, or documents located, outside Canada that may be taken into account for the application or enforcement of the Act respecting the Québec sales tax (chapter T-0.1), in particular for the collection of an amount payable or remittable by a person under that Act.

**2.** (1) Section 59.1 of the Act is replaced by the following section:

**“59.1.** Every person who fails to pay or remit an amount that the person was required to pay or remit under a fiscal law and that relates to an amount that the person did not attribute as a tip in accordance with section 42.11 of the Taxation Act (chapter I-3) and that should have been so attributed incurs a penalty equal to 50% of the amount the person so failed to pay or remit.

However, no person shall incur, in respect of the same omission, both the penalty under the first paragraph and the penalty under section 59.3.”

(2) Subsection 1 applies in respect of a penalty imposed after 21 March 2019.

**3.** (1) Section 69.1 of the Act is amended by replacing subparagraph z.3 of the second paragraph by the following subparagraph:

“(z.3) the Autorité des marchés publics, in respect of information necessary for the purposes of Chapters V.1 and V.2 of the Act respecting contracting by public bodies (chapter C-65.1);”.

(2) Subsection 1 has effect from 17 May 2019.

**4.** (1) Section 69.5.3 of the Act is replaced by the following section:

**“69.5.3.** The Autorité des marchés publics may, without the consent of the person concerned, record in the register of enterprises ineligible for public contracts that it keeps under section 21.6 of the Act respecting contracting by public bodies (chapter C-65.1) information obtained under subparagraph z.3 of the second paragraph of section 69.1 to the extent that the information concerns a penalty imposed on the person under any of sections 1079.13.1, 1079.13.2, 1082.0.2 and 1082.0.3 of the Taxation Act (chapter I-3).”

(2) Subsection 1 has effect from 17 May 2019. However, where section 69.5.3 of the Act applies before 21 February 2020, it is to be read as if “any of sections 1079.13.1, 1079.13.2, 1082.0.2 and 1082.0.3” were replaced by “section 1082.0.2 or 1082.0.3”.

**5.** Section 93.1.5 of the Act is amended by replacing “final judgment of the Court of Québec” in the second paragraph by “judgment of the Court of Québec that terminates a proceeding”.

**6.** Section 93.1.13 of the Act is amended by replacing “final judgment of the Court of Québec” in the fourth paragraph by “judgment of the Court of Québec that terminates a proceeding”.

**7.** Section 93.1.22 of the Act is amended by replacing “final judgment of the Court of Québec” in the second paragraph by “judgment of the Court of Québec that terminates a proceeding”.

**8.** Section 93.1.23 of the Act is amended by replacing “final judgment of the Court of Québec” in the first paragraph by “judgment of the Court of Québec that terminates a proceeding”.

**9.** (1) The Act is amended by inserting the following section after section 95.1:

**“95.2.** At any time after the expiry of the time limit provided for in the second paragraph of section 25, paragraph 3 of section 43 of the Mining Tax Act (chapter I-0.4) or paragraph *a* or *a.0.1* of subsection 2 of section 1010 of the Taxation Act (chapter I-3) to make a reassessment, the Minister may formulate an alternative basis or argument—including that all or any portion of the income to which an amount relates was from a different source—in support of all or any portion of the total amount determined on assessment to be payable or remittable by a taxpayer under a fiscal law unless, on a summary appeal or an appeal under this Act

(*a*) there is relevant evidence that the taxpayer is no longer able to produce without the leave of the court; and

(*b*) it is not appropriate in the circumstances for the court to order that the evidence referred to in paragraph *a* be produced.”

(2) Subsection 1 applies from 25 September 2020.

## ACT RESPECTING CONTRACTING BY PUBLIC BODIES

**10.** (1) Section 21.1.1 of the Act respecting contracting by public bodies (chapter C-65.1) is replaced by the following section:

**“21.1.1.** For the purposes of this chapter, an enterprise is deemed to have been found guilty, by a final judgment, of an offence listed in Schedule I if a penalty has been imposed on the enterprise under any of sections 1079.13.1, 1079.13.2, 1082.0.2 and 1082.0.3 of the Taxation Act (chapter I-3), in connection with an assessment regarding which any time limit for objecting has expired or, if the enterprise has validly objected to the assessment or appealed from it to a court of competent jurisdiction, the objection or the appeal, as applicable, has been finally settled.

Likewise, a person who is an associate of an enterprise within the meaning of section 21.2 is deemed to have been found guilty, by a final judgment, of an offence listed in Schedule I if a penalty has been imposed on the person under

any of sections 1079.13.1, 1079.13.2, 1082.0.2 and 1082.0.3 of the Taxation Act, in connection with an assessment regarding which any time limit for objecting has expired or, if the person has validly objected to the assessment or appealed from it to a court of competent jurisdiction, the objection or the appeal, as applicable, has been finally settled.

In such cases, the provisions of this Act apply, with the necessary modifications.”

(2) Subsection 1 has effect from 17 May 2019. However, where section 21.1.1 of the Act refers to a penalty imposed under section 1079.13.1 or 1079.13.2 of the Taxation Act, it applies only in respect of the assessment of such a penalty that results from an audit or investigation by the Agence du revenu du Québec or the Canada Revenue Agency that began after 20 April 2020, in respect of an avoidance transaction within the meaning of section 1079.11 of the Taxation Act.

(3) For the purposes of subsection 2, the start date of an audit or investigation of a person, general partnership, limited partnership or undeclared partnership, in respect of an avoidance transaction, means the day the person, one of the person’s shareholders, officers or directors or one of the partnership’s associates or officers may reasonably be considered to have known or ought to have known that the Agence du revenu du Québec or the Canada Revenue Agency was about to undertake or had begun an audit or investigation regarding the avoidance transaction.

**II.** (1) Section 21.26.1 of the Act is replaced by the following section:

**“21.26.1.** For the purposes of this chapter and despite section 21.29, an enterprise, person or entity is deemed to have been found guilty of an offence listed in Schedule I if a penalty has been imposed on the enterprise, person or entity under any of sections 1079.13.1, 1079.13.2, 1082.0.2 and 1082.0.3 of the Taxation Act (chapter I-3), in connection with an assessment regarding which any time limit for objecting has expired or, if the enterprise, person or entity has validly objected to the assessment or appealed from it to a court of competent jurisdiction, the objection or the appeal, as applicable, has been finally settled.

In such cases, the provisions of this Act apply, with the necessary modifications.”

(2) Subsection 1 has effect from 17 May 2019. However, where section 21.26.1 of the Act refers to a penalty imposed under section 1079.13.1 or 1079.13.2 of the Taxation Act, it applies only in respect of the assessment of such a penalty that results from an audit or investigation by the Agence du revenu du Québec or the Canada Revenue Agency that began after 20 April 2020, in respect of an avoidance transaction within the meaning of section 1079.11 of the Taxation Act.



(3) For the purposes of subsection 2, the start date of an audit or investigation of a person, general partnership, limited partnership or undeclared partnership, in respect of an avoidance transaction, means the day the person, one of the person's shareholders, officers or directors or one of the partnership's associates or officers may reasonably be considered to have known or ought to have known that the Agence du revenu du Québec or the Canada Revenue Agency was about to undertake or had begun an audit or investigation regarding the avoidance transaction.

## ACT TO ESTABLISH THE FONDS DE SOLIDARITÉ DES TRAVAILLEURS DU QUÉBEC (F.T.Q.)

**12.** (1) Section 15 of the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (chapter F-3.2.1) is amended, in the twelfth paragraph,

(1) by striking out subparagraphs 2 and 3;

(2) by inserting the following subparagraph after subparagraph 3:

“(3.0.1) the aggregate of the investments described in subparagraphs 5, 5.1 and 6 of that paragraph may not exceed 27.5% of the Fund's net assets at the end of the preceding fiscal year;”.

(2) Subsection 1 applies to a fiscal year that begins after 31 May 2018.

## MINING TAX ACT

**13.** (1) Section 4.8 of the Mining Tax Act (chapter I-0.4) is amended by replacing subparagraph *a* of paragraph 2 by the following subparagraph:

“(a) relates to the undepreciated capital cost of the operator's property of a class within the meaning of section 9, the operator's cumulative exploration, mineral deposit evaluation and mine development expenses within the meaning of section 16.1, the operator's cumulative exploration expenses in respect of expenses incurred after 30 March 2010 within the meaning of section 16.9, the operator's cumulative pre-production development expenses in respect of expenses incurred after 30 March 2010 within the meaning of section 16.11, the operator's cumulative post-production development expenses in respect of a mine within the meaning of section 16.13, the cumulative community consultation expenses within the meaning of section 16.13.2, the cumulative environmental studies expenses within the meaning of section 16.13.4, the cumulative sustainable development certification expenses within the meaning of section 16.13.6, the operator's cumulative exploration expenses in respect of expenses incurred before 31 March 2010 within the meaning of section 19.2, and the cumulative expenses relating to a Northern mine within the meaning of section 26.2 (each of which is in this paragraph referred to as a “pool amount”), and”.

(2) Subsection 1 applies to a fiscal year that ends after 21 March 2019.

**14.** (1) Section 8 of the Act is amended, in the second paragraph,

(1) by replacing subparagraph *b* of subparagraph 1 by the following subparagraph:

“(b) an amount, other than government assistance, received or receivable by the operator in the fiscal year from a person or partnership, because of an expense incurred by the operator for a particular fiscal year and that is an expense deducted in computing annual profit for the particular fiscal year or an expense taken into account for the particular fiscal year, for the purposes of subparagraph *b* of subparagraph 1 of the second paragraph of section 16.1 or subparagraph *a* of subparagraph 1 of the second paragraph of any of sections 16.9, 16.11, 16.13.2, 16.13.4 and 16.13.6; and”;

(2) by adding the following subparagraph at the end of subparagraph 2:

“(j) subject to section 16.13.5, the amount deducted by the operator, for the fiscal year, as a sustainable development certification allowance.”

(2) Subsection 1 applies to a fiscal year that ends after 21 March 2019.

**15.** (1) Section 8.0.2 of the Act is amended by replacing “*f* to *i*” by “*f* to *j*”.

(2) Subsection 1 applies to a fiscal year that ends after 21 March 2019.

**16.** (1) The heading of Division III.1 of Chapter III of the Act is replaced by the following heading:

“EXPLORATION, DEVELOPMENT, COMMUNITY CONSULTATIONS, ENVIRONMENTAL STUDIES AND SUSTAINABLE DEVELOPMENT CERTIFICATION ALLOWANCES”.

(2) Subsection 1 has effect from 21 March 2019.

**17.** (1) Section 16.8 of the Act is amended by replacing “*d* to *i*” in subparagraph *b* of paragraph 2 by “*d* to *j*”.

(2) Subsection 1 applies to a fiscal year that ends after 21 March 2019.

**18.** (1) The Act is amended by inserting the following subdivision after section 16.13.4:

“§3.3.—*Sustainable development certification allowance*

“**16.13.5.** The amount that an operator may deduct, as a sustainable development certification allowance, under subparagraph *j* of subparagraph 2 of the second paragraph of section 8, in computing its annual profit for a fiscal

year that ends after 21 March 2019, must not exceed its cumulative sustainable development certification expenses at the end of the fiscal year.

“**16.13.6.** The cumulative sustainable development certification expenses of an operator, at any time (in this section referred to as “that time”), are the amount determined by the formula

A – B.

In the formula in the first paragraph,

(1) A is the aggregate of

(a) subject to sections 16.14 and 16.15, the aggregate of all amounts each of which is expenses incurred by the operator after 21 March 2019 and before that time, to the extent that they are required by the body responsible for certification in relation to the sustainable development standard of the mineral exploration industry, developed by the UQAT-UQAM Chair in Mining Entrepreneurship, to obtain or maintain such certification, and

(b) the aggregate of all amounts each of which is an amount repaid by the operator before that time pursuant to a legal obligation to repay, in whole or in part, government assistance relating to an amount referred to in subparagraph *a*; and

(2) B is the aggregate of

(a) the aggregate of all amounts each of which is an amount deducted by the operator in computing its annual profit for a fiscal year that ends after 21 March 2019 and before that time, as a sustainable development certification allowance under subparagraph *j* of subparagraph 2 of the second paragraph of section 8, and

(b) the aggregate of all amounts each of which is an amount of government assistance relating to an amount referred to in subparagraph *a* of subparagraph 1, that the operator received or was entitled to receive before that time.”

(2) Subsection 1 applies to a fiscal year that ends after 21 March 2019.

**19.** (1) Section 16.14 of the Act is replaced by the following section:

“**16.14.** An operator may include expenses referred to in subparagraph *a* of subparagraph 1 of the second paragraph of any of sections 16.9, 16.11, 16.13, 16.13.2, 16.13.4 and 16.13.6 in computing its cumulative exploration expenses, cumulative pre-production development expenses, cumulative post-production development expenses, cumulative community consultation expenses, cumulative environmental studies expenses or cumulative sustainable development certification expenses, as the case may be, for a fiscal year only

if the operator reports them to the Minister on or before the date on or before which it is required to file a return, in accordance with section 36, for the fiscal year following the one in which the expenses were incurred.”

(2) Subsection 1 applies to a fiscal year that ends after 21 March 2019.

**20.** (1) Section 16.15 of the Act is amended by replacing “16.13.2 and 16.13.4” in the portion before paragraph 1 by “16.13.2, 16.13.4 and 16.13.6”.

(2) Subsection 1 applies to a fiscal year that ends after 21 March 2019.

**21.** (1) Section 32 of the Act is amended

(1) by adding the following subparagraph at the end of subparagraph *b* of subparagraph 4 of the first paragraph:

“v. the aggregate of all amounts each of which is the amount of the expenses referred to in subparagraph *a* of subparagraph 1 of the second paragraph of section 16.13.6 that were incurred by the operator for the fiscal year, without exceeding the amount deducted by the operator for the fiscal year under subparagraph *j* of subparagraph 2 of the second paragraph of section 8; and”;

(2) by adding the following subparagraph at the end of subparagraph *b* of subparagraph 5 of the first paragraph:

“iv. the aggregate of all amounts each of which is the amount of the expenses referred to in subparagraph *a* of subparagraph 1 of the second paragraph of section 16.13.6 that were incurred by the operator for the fiscal year, without exceeding the amount deducted by the operator for the fiscal year under subparagraph *j* of subparagraph 2 of the second paragraph of section 8.”;

(3) by replacing the portion of the second paragraph before subparagraph 1 by the following:

“For the purpose of determining the amount of the expenses referred to in subparagraphs *i* and *ii* of subparagraph *b* of subparagraph 1 of the first paragraph, of the expenses referred to in subparagraphs *i* to *iii* of subparagraph *b* of subparagraph 2 of that paragraph, of the expenses referred to in subparagraphs *i* and *ii* of subparagraph *b* of subparagraph 3 of that paragraph, of the expenses referred to in subparagraphs *i* to *v* of subparagraph *b* of subparagraph 4 of that paragraph and of the expenses referred to in subparagraphs *i* to *iv* of subparagraph *b* of subparagraph 5 of that paragraph that were incurred by an operator for a fiscal year, the following rules apply:”.

(2) Subsection 1 applies to a fiscal year that ends after 21 March 2019.

**22.** (1) Section 35.3 of the Act is amended by adding the following paragraph at the end:

“(16) each of the amounts incurred before the amalgamation by a predecessor legal person in respect of expenses referred to in subparagraph *a* of subparagraph 1 of the second paragraph of section 16.13.6, or allowed the predecessor legal person as a deduction in computing its annual profit under subparagraph *j* of subparagraph 2 of the second paragraph of section 8, is deemed to be an amount so incurred by the new legal person or an amount so allowed the new legal person as a deduction.”

(2) Subsection 1 applies to a fiscal year that ends after 21 March 2019.

#### TAXATION ACT

**23.** Section 1 of the Taxation Act (chapter I-3) is amended

(1) by replacing “an interest in” in the portion of the definition of “former business property” before paragraph *a* by “a right in”;

(2) by replacing “real or personal” in the definition of “property” by “movable or immovable”;

(3) by replacing paragraph *b* of the definition of “taxable Québec property” by the following paragraph:

“(b) a timber resource property situated in Québec, including at any particular time a right in and an option in respect of the property.”;

(4) by replacing the definition of “succession” by the following definition:

““succession” has the meaning assigned by section 646 and includes, for common law, an estate;”.

**24.** The Act is amended by inserting the following section after section 1:

**1.0.1.** In this Act and the regulations, where a provision applies in a common law context, the following rules apply:

(a) a reference to movable property or immovable property must be read, with the necessary modifications, as including a reference to personal property or real property, respectively;

(b) a reference to corporeal property or incorporeal property must be read, with the necessary modifications, as including a reference to tangible property or intangible property, respectively; and

(c) a reference to a right in a property must be read, with the necessary modifications, as including a reference to an interest in a property and a reference to a right in or to a property as including a reference to an interest or a right in a property.”

**25.** Section 1.1 of the Act is replaced by the following section:

**“1.1.** In this Act and the regulations, a real right in an immovable property includes a lease on such property, and for common law purposes, a leasehold interest in immovable property, but does not include a right, as security only, derived by virtue of a hypothecary claim, mortgage, agreement of sale or other similar obligation.”

**26.** Section 2.1.1 of the Act is amended

(1) by replacing subparagraphs *a* to *e* of the first paragraph by the following subparagraphs:

“(a) each such person who had a right in the property immediately before that time is deemed not to have disposed at that time of that proportion, not exceeding 1, of the right that the fair market value of that person’s right in the property immediately after that time is of the fair market value of that person’s right in the property immediately before that time;

“(b) each such person who has a right in the property immediately after that time is deemed not to have acquired at that time that proportion of the right that the fair market value of that person’s right in the property immediately before that time is of the fair market value of that person’s right in the property immediately after that time;

“(c) each such person who had a right in the property immediately before that time is deemed to have had until that time, and to have disposed at that time of, that proportion of the person’s right to which subparagraph *a* does not apply;

“(d) each such person who has a right in the property immediately after that time is deemed not to have had before that time, and to have acquired at that time, that proportion of the person’s right to which subparagraph *b* does not apply; and

“(e) subparagraphs *a* to *d* do not apply where the right of the person is a right in fungible corporeal property described in that person’s inventory.”;

(2) by replacing the second paragraph by the following paragraph:

“For the purposes of this section, where a right in the property is an undivided right, the fair market value of the right at any time is deemed to be equal to that proportion of the fair market value of the property at that time that the right is of all the undivided rights in the property.”

**27.** Section 2.1.2 of the Act is amended

(1) by replacing the portion before subparagraph *a* of the first paragraph by the following:

“**2.1.2.** Where a property owned by two or more persons is the subject of a partition among such persons and, as a consequence thereof, each such person has, in the property, a new right the fair market value of which immediately after the partition, expressed as a percentage of the fair market value of all the rights in the property immediately after the partition, is equal to the fair market value of that person’s undivided right immediately before the partition, expressed as a percentage of the fair market value of all the undivided rights in the property immediately before the partition, the following rules apply:”;

(2) by replacing subparagraph *b* of the first paragraph by the following subparagraph:

“(b) the new right of each such person is deemed to be a continuation of that person’s undivided right in the property immediately before the partition.”;

(3) by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(b) where a right in the property is or includes an undivided right, the fair market value of the right must be determined without regard to any discount or premium that may apply to a minority or majority right in the property.”

**28.** Section 7.3 of the Act is amended

(1) by replacing “Aux fins” in the portion before paragraph *a* in the French text by “Pour l’application”;

(2) by replacing paragraph *b* by the following paragraph:

“(b) a gift *inter vivos* made under the laws of Québec of a right in, or a property of, a succession that is made within the period referred to in paragraph *a* to the person or persons who would have benefited if the donor had made a renunciation of the succession that was not made in favour of any person.”

**29.** Section 21.0.5 of the Act is amended by replacing subparagraphs 2 and 3 of subparagraph *vi* of paragraph *b* of the definition of “investment fund” by the following subparagraphs:

“(2) immovable property or a real right in an immovable property,

“(3) Canadian resource property, foreign resource property or a right in such property, or”.

**30.** (1) The Act is amended by inserting the following section after section 21.25:

**“21.25.1.** For the purposes of this Part and for the purpose of determining whether a taxpayer has, in respect of a corporation, any direct or indirect influence that, if exercised, would result in control in fact of the corporation, the following rules apply:

(a) all factors that are relevant in the circumstances must be taken into consideration; and

(b) the determination must not be limited to, and the relevant factors need not include, whether the taxpayer has a legally enforceable right or ability to effect a change in the board of directors of the corporation, or its powers, or to exercise influence over the shareholder or shareholders who have that right or ability.”

(2) Subsection 1 applies to a taxation year that begins after 21 March 2017.

**31.** (1) Section 43.4 of the Act is replaced by the following section:

**“43.4.** An individual shall, in computing income for a taxation year from an office or employment, include the total of the following amounts received by the individual in the year on account of

(a) an earnings loss benefit, an income replacement benefit (other than an amount determined under subsection 1 of section 19.1, paragraph *b* of subsection 1 of section 23 or subsection 1 of section 26.1 of the Veterans Well-being Act (Statutes of Canada, 2005, chapter 21), as modified, where applicable, under Part 5 of that Act), a supplementary retirement benefit or a career impact allowance payable to the individual under Part 2 of the Veterans Well-being Act; or

(b) an amount payable under subsection 6 of section 99, subsection 1 of section 109, subsection 5 of section 115 or sections 124 to 126 of the Veterans Well-being Act.”

(2) Subsection 1 has effect from 1 April 2019.

**32.** (1) The Act is amended by inserting the following sections after section 85.6:

**“85.7.** Where a taxpayer has made a valid election under subsection 1 of section 10.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the following rules apply in respect of the taxation years to which the election applies for the purposes of that Act (each such taxation year being referred to in this section as a “particular taxation year”):



(a) where the taxpayer is a financial institution, within the meaning of section 851.22.1, in the particular taxation year, each eligible derivative held by the taxpayer in the particular year is, for the purposes of this Act and with the necessary modifications, deemed to be mark-to-market property, within the meaning of section 851.22.1, of the taxpayer for the particular year; and

(b) in any other case, the taxpayer is deemed

i. to have disposed, immediately before the end of the particular taxation year, of each eligible derivative held by the taxpayer at the end of that year and received proceeds of disposition or paid an amount, as the case may be, equal to the fair market value of the eligible derivative at the time of disposition, and

ii. to have reacquired, or reissued or renewed, at the end of the taxation year, each of the eligible derivatives referred to in subparagraph i at an amount equal to the proceeds of disposition or the amount paid, as the case may be, referred to in subparagraph i, in respect of the eligible derivative.

For the purposes of the first paragraph, where a taxpayer revokes, under subsection 2 of section 10.1 of the Income Tax Act and for the purposes of that Act, an election made under subsection 1 of that section 10.1, a taxation year in relation to which the revocation applies for the purposes of that Act is not a particular taxation year.

Chapter V.2 of Title II of Book I applies in relation to an election made under subsection 1 of section 10.1 of the Income Tax Act or an application for revocation made under subsection 2 of that section 10.1.

**“85.8.** For the purposes of sections 85.7 and 85.9 to 85.12, an eligible derivative of a taxpayer for a taxation year means a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement or a similar agreement, held in the year by the taxpayer, where

(a) the agreement is not a capital property, a Canadian resource property, a foreign resource property or an obligation on account of capital of the taxpayer;

(b) either

i. the taxpayer has produced audited financial statements prepared in accordance with generally accepted accounting principles for the taxation year, or

ii. if the taxpayer has not produced financial statements described in subparagraph i, the agreement has a readily ascertainable fair market value; and

(c) if the agreement is held by a financial institution within the meaning of section 851.22.1, the agreement is not a tracking property within the meaning of that section (other than an excluded property within the meaning of that section) of the financial institution.

**“85.9.** Where a taxpayer holds an eligible derivative at the beginning of its first taxation year in respect of which an election provided for in section 85.7 applies (in this section referred to as the “election year”) and, in the taxation year immediately preceding the election year, the taxpayer did not compute its profit or loss in respect of that eligible derivative in accordance with a method of profit computation that produces a substantially similar effect to that provided for in subparagraph *b* of the first paragraph of section 85.7, the following rules apply:

(*a*) the taxpayer is deemed

i. to have disposed of the eligible derivative immediately before the beginning of the election year and received proceeds of disposition or paid an amount, as the case may be, equal to the fair market value of the eligible derivative at that time, and

ii. to have reacquired, or reissued or renewed, the eligible derivative at the beginning of the election year at an amount equal to the proceeds of disposition or the amount paid, as the case may be, referred to in subparagraph i;

(*b*) the profit or loss that would arise, but for this paragraph, on the deemed disposition under subparagraph i of paragraph *a*

i. is deemed not to arise in the taxation year immediately preceding the election year, and

ii. is deemed to arise in the taxation year in which the taxpayer disposes of the eligible derivative (otherwise than under subparagraph i of subparagraph *b* of the first paragraph of section 85.7 or paragraph *a* of section 851.22.15); and

(*c*) for the purposes of section 175.9, in respect of the disposition of the eligible derivative referred to in subparagraph ii of paragraph *b*, the profit or loss deemed to arise because of the application of that subparagraph is included in determining the amount of the transferor’s loss, if any, from the disposition.

**“85.10.** Where section 85.7 does not apply to a taxpayer referred to in subparagraph *b* of the first paragraph of that section in respect of a taxation year, the taxpayer shall not use a method of profit computation that produces a substantially similar effect to that provided for in that subparagraph *b* for the purpose of computing the taxpayer’s income from a business or property in respect of a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement or a similar agreement for the year.

**“85.11.** For the purposes of sections 85.7 to 85.9, if an agreement that is an eligible derivative of a taxpayer is not a property of the taxpayer, the taxpayer is deemed

(*a*) to hold the eligible derivative at any time while the taxpayer is a party to the agreement; and

(b) to have disposed of the eligible derivative when it is settled or extinguished in respect of the taxpayer.

**“85.12.** Where there has been an amalgamation, within the meaning of section 544, of two or more corporations and subparagraph *b* of the first paragraph of section 85.7 applies to a predecessor corporation, within the meaning of section 544, in its last taxation year, each eligible derivative of the predecessor corporation immediately before the end of its last taxation year is deemed to have been reacquired, or reissued or renewed, as the case may be, by the new corporation, within the meaning of section 544, at its fair market value immediately before the amalgamation.

Where the rules set out in sections 556 to 564.1 and 565 apply to the winding-up of a subsidiary, within the meaning of section 556, the subsidiary’s taxation year in which an eligible derivative was distributed to, or assumed by, the parent, within the meaning of section 556, on the winding-up is deemed, for the purposes of subparagraph *b* of the first paragraph of section 85.7, to have ended immediately before the time when the eligible derivative was distributed or assumed.”

(2) Subsection 1 applies to a taxation year that begins after 21 March 2017. However, for the purpose of applying section 21.4.7 of the Act to an election referred to in the first paragraph of section 85.7 of the Act before 24 September 2020, a taxpayer is deemed to have complied with a requirement of section 21.4.6 of the Act if the taxpayer complies with it on or before 23 March 2021.

**33.** Section 87 of the Act is amended by replacing subparagraph *iv* of paragraph *w* by the following subparagraph:

“*iv.* may not reasonably be considered to be a payment made in respect of the acquisition by the particular person or the public authority of an interest in the taxpayer, a right in the taxpayer’s business or a real right in the taxpayer’s property, or”.

**34.** Section 92.5 of the Act is replaced by the following section:

**“92.5.** For the purposes of sections 92, 92.1, 92.7, 157.6 and 167, where a taxpayer acquires a right in a prescribed debt obligation, interest on the obligation, computed in prescribed manner, is deemed to accrue to the taxpayer in each taxation year during which the taxpayer holds the right.”

**35.** Section 92.5.1 of the Act is amended by replacing the first paragraph by the following paragraph:

“Where a taxpayer disposes of a right in a debt obligation that is a debt obligation in respect of which the proportion of the payments of principal to which the taxpayer is entitled is not equal to the proportion of the payment of interest to which the taxpayer is entitled, such portion of the proceeds of

disposition received by the taxpayer as may reasonably be considered to represent a recovery of the cost to the taxpayer of the right in the debt obligation must not, despite any other provision of this Part, be included in computing the taxpayer's income."

**36.** (1) The Act is amended by inserting the following sections after section 113.3:

**"113.4.** Where, at a particular time, a person or partnership (in this section and sections 113.5 to 113.7 referred to as the "intended borrower") owes an amount as or on account of a debt or other obligation to pay an amount (in this section and sections 113.5 to 113.7 referred to as the "shareholder debt") to another person or partnership (in this section and sections 113.5 to 113.7 referred to as the "immediate funder") and the conditions of the second paragraph are met at that time, the intended borrower is, for the purposes of this division and sections 487.1 to 487.5.4, deemed to receive a loan at that time from each particular ultimate funder to whom the second paragraph refers, the amount of which is equal to the amount determined by the formula

$$(A \times B/C) - (D - E).$$

The conditions referred to in the first paragraph are as follows:

(a) in the absence of this section, section 113 would not apply in respect of the shareholder debt;

(b) at the particular time, a funder, in respect of a particular funding arrangement,

i. owes an amount to a person or partnership as or on account of a debt or other obligation to pay an amount that is not a debt or other obligation in respect of which section 113 applies, or would apply if it were not a pertinent loan or indebtedness within the meaning of section 113.1, and that is a debt or other obligation in respect of which either of the following conditions is met:

(1) recourse in respect of the debt or other obligation is limited in whole or in part, either immediately or in the future and either absolutely or contingently, to a funding arrangement, or

(2) it can reasonably be concluded that all or a portion of the particular funding arrangement was entered into or was permitted to remain owing because all or a portion of the debt or other obligation was entered into or was permitted to remain owing, or the funder anticipated that all or a portion of the debt or other obligation would become owing or remain owing, or

ii. has a specified right in respect of a particular property that was granted directly or indirectly by a person or partnership and

(1) the existence of the specified right is required under the terms and conditions of the particular funding arrangement, or

(2) it can reasonably be concluded that all or a portion of the particular funding arrangement was entered into, or was permitted to remain in effect, because the specified right was granted or the funder anticipated that it would be granted; and

(c) at the particular time, one or more funders is an ultimate funder.

In the formula in the first paragraph,

(a) A is the lesser of

i. the amount owing as or on account of the shareholder debt at the particular time, and

ii. the aggregate of all amounts each of which is, at the particular time,

(1) an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to an ultimate funder under a funding arrangement in respect of the shareholder debt, or

(2) the fair market value of a particular property in respect of which an ultimate funder has granted a specified right to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt;

(b) B is the aggregate of all amounts each of which is, at the particular time,

i. an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to the particular ultimate funder under a funding arrangement in respect of the shareholder debt, or

ii. the fair market value of a particular property in respect of which the particular ultimate funder has granted a specified right to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt;

(c) C is the aggregate determined under subparagraph ii of subparagraph a;

(d) D is the aggregate of all amounts each of which is, in respect of the shareholder debt, an amount that the intended borrower has been deemed under this section to have received from the particular ultimate funder as a loan at any time before the particular time; and

(e) E is the aggregate of all amounts each of which is a repayment deemed, under section 113.5 or 113.6, to have occurred before the particular time, in respect of a loan that has been deemed to have been received from the particular ultimate funder and that is referred to in subparagraph d.

**“113.5.** Where section 113.4 has applied, before a particular time, in respect of a shareholder debt to deem one or more loans to have been received by an intended borrower from a particular ultimate funder and, at that time, any of the conditions of the second paragraph is met, the intended borrower is, for the purposes of this division and sections 177 and 487.1 to 487.5.4, deemed to repay at that time, in whole or in part, one or more of the deemed loans, and the total amount of the deemed repayments is determined by the formula

$$A - B - (C \times D/E).$$

The conditions to which the first paragraph refers are as follows:

(a) an amount owing in respect of the shareholder debt is repaid in whole or in part;

(b) an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to the particular ultimate funder under a funding arrangement in respect of the shareholder debt is repaid in whole or in part; and

(c) either

i. there is a decrease in the fair market value of a property in respect of which a specified right was granted by the particular ultimate funder to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt, or

ii. a right described in subparagraph i is extinguished.

In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is the amount of a loan deemed, under section 113.4, to have been received, at any time before the particular time, by an intended borrower from the particular ultimate funder in respect of the shareholder debt;

(b) B is the aggregate of all amounts deemed under this section to have been repaid, at any time before the particular time, by the intended borrower in respect of a loan referred to in subparagraph a;

(c) C is the lesser of

i. the amount owing as or on account of the shareholder debt, immediately after the particular time, and

ii. the aggregate of all amounts each of which is, immediately after the particular time,

(1) an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to an ultimate funder under a funding arrangement in respect of the shareholder debt, or

(2) the fair market value of a particular property in respect of which an ultimate funder has granted a specified right to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt;

(d) D is the aggregate of all amounts each of which is, immediately after the particular time,

i. an amount owing as or on account of a debt or other obligation that is owed by a funder (other than an ultimate funder) to the particular ultimate funder under a funding arrangement in respect of the shareholder debt, or

ii. the fair market value of a particular property in respect of which the particular ultimate funder has granted a specified right to a funder (other than an ultimate funder) under a funding arrangement in respect of the shareholder debt; and

(e) E is the aggregate determined under subparagraph ii of subparagraph c.

**“113.6.** Where the amount determined, at a particular time, by the formula in the first paragraph of section 113.4 would, but for section 7.5, be less than zero, the intended borrower is, for the purposes of this division and sections 177 and 487.1 to 487.5.4, deemed to repay, in whole or in part, one or more of the loans deemed under section 113.4 to have been received, before that time, by the intended borrower from the particular ultimate funder and the total amount of the deemed repayments is equal to the absolute value of that negative amount.

**“113.7.** In this section and sections 113.4 to 113.6,

“funder”, in respect of a funding arrangement, means

(a) if the funding arrangement is described in paragraph *a* of the definition of that expression, the immediate funder;

(b) if the funding arrangement is described in paragraph *b* of the definition of that expression, the creditor in respect of the debt or other obligation or the grantor of the specified right, as the case may be; or

(c) a person or partnership who does not deal at arm’s length with a person or partnership referred to in paragraph *a* or *b*;

“funding arrangement” means

(a) the shareholder debt; and

(b) each debt or other obligation or specified right, owing by or granted to a funder, in respect of a particular funding arrangement, if the conditions of subparagraph i or ii, as the case may be, of subparagraph *b* of the second paragraph of section 113.4 are met in respect of the debt or other obligation or specified right;

“specified right” has the meaning assigned by subparagraph *b.5.1* of the first paragraph of section 172, with the necessary modifications;

“ultimate funder” means a funder whose substitution to the immediate funder as creditor of the shareholder debt would result in the application of section 113 in respect of the shareholder debt.”

(2) Subsection 1 applies,

(1) if the immediate funder in respect of a shareholder debt is a debtor, or holder of a specified right, under a funding arrangement under which an ultimate funder is the creditor or the grantor of the specified right,

(a) in respect of a loan received or an indebtedness incurred in respect of the shareholder debt after 21 March 2016, or

(b) in respect of any portion of a particular loan received or particular indebtedness incurred in respect of the shareholder debt before 22 March 2016 that remains owing on that day, as if that portion were a separate loan or separate indebtedness that was received or incurred, as the case may be, on 22 March 2016 in the same manner and on the same terms as the particular loan or particular indebtedness; and

(2) in any other case,

(a) in respect of a loan received or an indebtedness incurred after 31 December 2016, or

(b) in respect of any portion of a particular loan received or particular indebtedness incurred before 1 January 2017 that remains owing on that day, as if that portion were a separate loan or separate indebtedness that was received or incurred, as the case may be, on 1 January 2017 in the same manner and on the same terms as the particular loan or particular indebtedness.



**37.** (1) The Act is amended by inserting the following divisions after section 156.7.3:

**“DIVISION VIII.2.3**

**“ADDITIONAL DEDUCTION OF 35% OR 60% IN RESPECT OF CERTAIN INVESTMENTS**

**“156.7.4.** Subject to section 156.7.5, a taxpayer may deduct, in computing the taxpayer’s income from a business for a taxation year, an amount equal to the amount determined, in respect of a prescribed depreciable property, by the formula

$$A \times (B/C).$$

In the formula in the first paragraph,

(a) A is an amount equal to the product obtained by multiplying the amount deducted by the taxpayer in computing the taxpayer’s income for the year under paragraph *a* of section 130 in respect of the prescribed class that includes the property by

i. 35%, where the property is acquired after 28 March 2017 and before 28 March 2018, or

ii. 60%, where the property is acquired after 27 March 2018 and before

(1) 1 July 2019, if the property was acquired pursuant to an obligation in writing entered into before 4 December 2018 or if the construction of the property, by or on behalf of the taxpayer, began before 4 December 2018, or

(2) 4 December 2018, in any other case;

(b) B is

i. where the taxation year includes the time at which the property is considered to have become available for use, within the meaning of section 93.7, either of the following amounts:

(1) if the property is acquired after 20 November 2018, the amount attributable to the property that is added to the undepreciated capital cost of the prescribed class that includes the property, determined for the purpose of computing the amount that is deductible by the taxpayer in computing the taxpayer’s income for the year under paragraph *a* of section 130, or

(2) in any other case, one half of the capital cost of the property at the end of the year,

ii. where the taxation year is the particular year that follows the year referred to in subparagraph i, the amount by which the capital cost of the property at the end of the particular year exceeds the portion of the amount deducted by the taxpayer in computing the taxpayer's income for the preceding year under paragraph *a* of section 130 that is attributable to the property, or

iii. in any other case, zero; and

(*c*) *C* is the undepreciated capital cost at the end of the year of property of the prescribed class that includes the property, determined for the purpose of computing the amount that is deductible by the taxpayer in computing the taxpayer's income for the year under paragraph *a* of section 130 before any deduction under that paragraph *a* for the year.

**“156.7.5.** The amount that a taxpayer may deduct in computing the taxpayer's income from a business for a particular taxation year under section 156.7.4, in respect of a property acquired after 20 November 2018, may not exceed

(*a*) where the particular year includes the time at which the property is considered to have become available for use, within the meaning of section 93.7,

i. in the case where the property is included in Class 50 of Schedule B to the Regulation respecting the Taxation Act (chapter I-3, r. 1), the product obtained by multiplying 16.5% of the capital cost of the property at the end of the particular year by the proportion that the number of days in the particular year is of 365, or

ii. in the case where the property is included in Class 53 of Schedule B to the Regulation respecting the Taxation Act, the product obtained by multiplying 15% of the capital cost of the property at the end of the particular year by the proportion that the number of days in the particular year is of 365; or

(*b*) where the particular year is the year following the year referred to in subparagraph *a*, the lesser of

i. the total of

(1) the amount by which the amount computed under section 156.7.4 in respect of the property for the year referred to in subparagraph *a* exceeds the amount determined under that subparagraph in respect of the property for that year, and

(2) the amount computed under section 156.7.4 in respect of the property for the particular year, and

ii. the total of

(1) the amount by which the amount computed under subparagraph *a* in respect of the property for the year referred to in that subparagraph exceeds the amount computed under section 156.7.4 in respect of the property for that year, and

(2) the product obtained by multiplying the amount determined under the second paragraph in respect of the property by the proportion that the number of days in the particular year is of 365.

The amount to which subparagraph 2 of subparagraph ii of subparagraph *b* of the first paragraph refers is

(*a*) 23.9% of the capital cost of the property at the end of the particular year, if it is included in Class 50 of Schedule B to the Regulation respecting the Taxation Act; or

(*b*) 22.5% of the capital cost of the property at the end of the particular year, if it is included in Class 53 of Schedule B to the Regulation respecting the Taxation Act.

#### “DIVISION VIII.2.4

#### “ADDITIONAL DEDUCTION OF 30% IN RESPECT OF CERTAIN INVESTMENTS

“**156.7.6.** A taxpayer may deduct, in computing a taxpayer’s income from a business for a taxation year, an amount equal to 30% of the aggregate of all amounts each of which is an amount deducted by the taxpayer in computing income for the preceding taxation year under paragraph *a* of section 130 or the second paragraph of section 130.1, in respect of a prescribed depreciable property acquired after 3 December 2018.”

(2) Subsection 1 has effect from 29 March 2017.

**38.** Section 157.6 of the Act is amended by replacing the portion before paragraph *a* by the following:

“**157.6.** Where a taxpayer disposes of a property that is a right in a debt obligation for consideration equal to its fair market value at the time of disposition, there may be deducted in computing the taxpayer’s income for the taxation year in which the disposition occurs the amount by which the aggregate of all amounts each of which was included in computing the taxpayer’s income for the year or a preceding taxation year as interest on the property exceeds the aggregate of all amounts each of which is”.

**39.** Section 158.8 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) during the period that begins at the time of the disposition or expiry and ends 30 days after that time, a taxpayer that had an interest, directly or indirectly, in the right to receive production has another interest, directly or indirectly, in another right to receive production, which other interest is a tax shelter or a tax shelter investment as defined by section 851.38.”

**40.** Section 158.9 of the Act is amended by replacing subparagraph *v* of paragraph *b* in the French text by the following subparagraph:

“v. dans le cas où l’article 158.8 s’applique autrement qu’en raison de son paragraphe *a*, le moment où débute une période de 30 jours tout au long de laquelle aucun contribuable ayant eu, directement ou indirectement, une part dans le droit aux produits, n’a de part, directement ou indirectement, dans un autre droit aux produits, si une ou plusieurs de ces parts dans l’autre droit aux produits est un abri fiscal ou un abri fiscal déterminé au sens de l’article 851.38.”

**41.** Section 159.1 of the Act is amended by replacing “or an estate” and “or estate” by “or a succession” and “or succession”, respectively.

**42.** Section 172 of the Act is amended by replacing subparagraph *b.5.2* of the first paragraph by the following subparagraph:

“(b.5.2) “security interest”, in respect of a property, means a right in the property that secures payment of an obligation;”.

**43.** Section 174 of the Act is amended

(1) by replacing paragraph *a* by the following paragraph:

“(a) the taxpayer owes a particular amount as or on account of a particular debt or other particular obligation to pay an amount to a person (in this section and section 174.0.1 referred to as the “intermediary”);”;

(2) by replacing paragraph *c* by the following paragraph:

“(c) the intermediary or a person that does not deal at arm’s length with the intermediary

i. owes an amount to a particular person that is, in respect of the taxpayer, a specified person not resident in Canada as or on account of a debt or other obligation to pay an amount (in this section and section 174.0.1 referred to as the “intermediary debt”), in respect of which any of the following conditions is met:

(1) recourse in respect of the debt or other obligation is limited in whole or in part, either immediately or in the future and either absolutely or contingently, to the particular debt or other particular obligation, or

(2) it can reasonably be concluded that all or a portion of the particular amount became owing, or was permitted to remain owing, because all or a portion of the debt or other obligation was entered into or was permitted to remain owing, or the intermediary anticipated that all or a portion of the debt or other obligation would become owing or remain owing, or

ii. has a specified right in respect of a particular property that was granted directly or indirectly by a particular person that is, in respect of the taxpayer, a specified person not resident in Canada and in respect of which any of the following conditions is met:

(1) the existence of the specified right is required under the terms and conditions of the particular debt or other particular obligation, or

(2) it can reasonably be concluded that all or a portion of the particular amount became owing, or was permitted to remain owing, because the specified right was granted or the intermediary anticipated that it would be granted; and”;

(3) by replacing the portion of paragraph *d* before subparagraph i by the following:

“(d) the aggregate of all amounts—each of which is, in respect of the particular debt or other particular obligation, an amount owing as or on account of an intermediary debt or the fair market value of a particular property described in subparagraph ii of paragraph *c*—is equal to at least 25% of the total of”;

(4) by replacing the portion of subparagraph ii of paragraph *d* before subparagraph 1 by the following:

“ii. the aggregate of all amounts each of which is an amount (other than the particular amount) that the taxpayer, or a person that does not deal at arm’s length with the taxpayer, owes to the intermediary as or on account of a debt or other obligation to pay an amount under the agreement, or an agreement that is connected to the agreement, under which the particular debt or other particular obligation was entered into if”.

**44.** Section 174.0.1 of the Act is amended

(1) by replacing “outstanding” by “owing” in the following provisions:

—the portion of subparagraph *a* of the first paragraph before subparagraph i;

—subparagraph i of subparagraph *a* of the first paragraph;

—the portion of subparagraph ii of subparagraph *a* of the first paragraph before subparagraph 1;

—subparagraphs *b* and *c* of the second paragraph;

(2) by replacing subparagraph 1 of subparagraph ii of subparagraph *a* of the first paragraph by the following subparagraph:

“(1) an amount owing as or on account of an intermediary debt in respect of the particular debt or other particular obligation that is owed to the particular person or any other person that is, in respect of the taxpayer, a specified person not resident in Canada, or”;

(3) by replacing the portion of subparagraph *b* of the first paragraph before the formula by the following:

“(b) the portion of the interest paid or payable by the taxpayer, in respect of a period throughout which subparagraph *a* applies, on the particular debt or other particular obligation referred to in paragraph *a* of section 174 that is equal to the amount determined by the following formula is deemed to be paid or payable by the taxpayer to the particular person, and not to the intermediary, as interest for the period on the amount that is deemed under subparagraph *a* to be owing to the particular person:”.

**45.** (1) Section 175.8 of the Act is amended by replacing subparagraph *c* by the following subparagraph:

“(c) the disposition is not a disposition that is deemed to have occurred under subparagraph *b* of the first paragraph of section 85.7, paragraph *a* of section 85.9, any of Divisions I to III of Chapter III of Title VII, section 653, Chapter I of Title I.1 of Book VI, paragraph *a* or *c* of section 785.5, or any of sections 832.1, 851.22.0.4 and 999.1;”.

(2) Subsection 1 applies to a taxation year that begins after 21 March 2017. However, where section 175.8 of the Act applies to a taxation year that begins before 1 January 2018, its paragraph *c* is to be read as if “any of sections 832.1, 851.22.0.4 and” were replaced by “section 832.1 or”.

**46.** (1) The Act is amended by inserting the following division after section 175.10:

### “DIVISION XII.3

#### “STRADDLE LOSSES

“**175.11.** For the purposes of this division,

“offsetting position”, in respect of a particular position of a person or partnership (in this definition referred to as the “holder”), means one or more positions that

(a) are held by

i. the holder,

ii. another person or partnership that does not deal at arm's length with, or is affiliated with, the holder (that other person or partnership being referred to in this section and sections 175.13 and 175.15 as the "connected person"), or

iii. any combination of the holder and one or more connected persons;

(b) have the effect, or would have the effect if each of the positions held by a connected person were held by the holder, of eliminating all or substantially all of the holder's risk of loss and opportunity for gain or profit in respect of the particular position; and

(c) if held by a connected person, can reasonably be considered to have been held with the purpose of obtaining the effect described in paragraph b;

"position", of a person or partnership, means one or more properties, obligations or liabilities of the person or partnership, where

(a) each property, obligation or liability is

i. a share of the capital stock of a corporation,

ii. an interest in a partnership,

iii. an interest in a trust,

iv. a commodity,

v. foreign currency,

vi. a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement or a similar agreement,

vii. a debt owed to or owing by the person or partnership that, at any time,

(1) is denominated in a foreign currency,

(2) would be described in subparagraph *d* of the first paragraph of section 92.5R3 of the Regulation respecting the Taxation Act (chapter I-3, r. 1) if that subparagraph were read without reference to " , other than one described in any of subparagraphs *a* to *c*," , or

(3) is convertible into or exchangeable for a right in any property that is described in any of subparagraphs i to iv,

viii. an obligation to transfer or return to another person or partnership a property identical to a particular property described in any of subparagraphs i to vii that was previously transferred or lent to the person or partnership by that other person or partnership, or

ix. a right in any property that is described in any of subparagraphs i to vii; and

(b) it is reasonable to conclude that, if there is more than one property, obligation or liability, each of them is held in connection with each other;

“successor position”, in respect of a position (in this definition referred to as the “initial position”), means a particular position if

(a) the particular position is an offsetting position in respect of a second position;

(b) the second position was an offsetting position in respect of the initial position that was disposed of at a particular time; and

(c) the particular position was entered into during the period that begins 30 days before, and ends 30 days after, the particular time;

“unrecognized loss”, in respect of a position of a person or partnership at a particular time in a taxation year, means the loss, if any, that would be deductible in computing the income of the person or partnership for the year with respect to the position if it were disposed of immediately before the particular time for proceeds of disposition equal to its fair market value at the time of disposition;

“unrecognized profit”, in respect of a position of a person or partnership at a particular time in a taxation year, means the profit, if any, that would be included in computing the income of the person or partnership for the year with respect to the position if it were disposed of immediately before the particular time for proceeds of disposition equal to its fair market value at the time of disposition.

**“175.12.** Subject to section 175.13, the rule set out in the second paragraph applies in respect of the disposition of a particular position by a person or partnership (in this section and sections 175.13 and 175.15 referred to as the “transferor”), if

(a) the disposition is not a deemed disposition under any of Divisions I to III of Chapter III of Title VII, section 653, Chapter I of Title I.1 of Book VI or section 832.1 or 999.1;

(b) the transferor is not a financial institution (within the meaning of section 851.22.1), a mutual fund corporation or a mutual fund trust; and

(c) the particular position was, immediately before its disposition, not a capital property, or an obligation or liability on account of capital, of the transferor.



Where the conditions of the first paragraph are met in respect of the disposition of a particular position by a transferor, the portion of the transferor's loss, if any, from the disposition of the particular position that is deductible in computing the transferor's income for a particular taxation year is equal to the amount determined by the formula

$$A + B - C.$$

In the formula in the second paragraph,

(a) A is

i. if the particular taxation year is the taxation year in which the disposition occurs, the amount of the loss determined with reference to section 175.9 but without reference to this section, and

ii. in any other taxation year, nil;

(b) B is

i. if the disposition occurred in a taxation year preceding the particular taxation year, the amount determined under subparagraph c in respect of the disposition for the taxation year preceding the particular taxation year, and

ii. in any other case, nil; and

(c) C is the lesser of

i. the amount determined under subparagraph a for the taxation year in which the disposition occurs, and

ii. the amount determined by the formula

$$D - (E + F).$$

In the formula in subparagraph ii of subparagraph c of the third paragraph,

(a) D is the aggregate of all amounts each of which is equal to the amount of unrecognized profit at the end of the particular taxation year in respect of

i. the particular position,

ii. positions that are offsetting positions in respect of the particular position or those that would be such offsetting positions, to the extent that there is no successor position in respect of the particular position, if the particular position continued to be held by the transferor,

iii. successor positions in respect of the particular position, and

iv. positions that are offsetting positions in respect of any successor position referred to in subparagraph iii or those that would be such offsetting positions if any such successor position continued to be held by the transferor;

(b) E is the aggregate of all amounts each of which is equal to the amount of unrecognized loss at the end of the particular taxation year in respect of positions referred to in subparagraphs i to iv of subparagraph *a*; and

(c) F is the aggregate of all amounts each of which is equal to the amount determined by the formula

$G - H$ .

In the formula in subparagraph *c* of the fourth paragraph,

(a) G is the amount determined under subparagraph *a* of the third paragraph for the taxation year in which the disposition occurs in respect of another position that was disposed of prior to the disposition of the particular position, if

i. the particular position was a successor position in respect of the other position, and

ii. the other position was

(1) an offsetting position in respect of the particular position,

(2) an offsetting position in respect of a position in respect of which the particular position was a successor position, or

(3) the particular position; and

(b) H is the aggregate of all amounts each of which is, in respect of another position described in subparagraph *a*, an amount determined under the second paragraph for the particular taxation year or a preceding taxation year.

For the purposes of subparagraph iii of subparagraph *a* of the fourth paragraph, subparagraph i of subparagraph *a* of the fifth paragraph and subparagraph 2 of subparagraph ii of that subparagraph *a*, a successor position in respect of a position includes a successor position that is in respect of a successor position in respect of the position.

**“175.13.** Section 175.12 does not apply in respect of a particular position of a transferor if

(a) the following conditions are met:

i. either the particular position, or the offsetting position in respect of the particular position, consists of

(1) commodities that the holder of the position manufactures, produces, grows, extracts or processes, or

(2) debt that the holder of the position incurs in the course of a business that consists of one or any combination of the activities described in subparagraph 1, and

ii. it can reasonably be considered that the position not described in subparagraph i—the particular position if the position that is described in subparagraph i is the offsetting position, or the offsetting position if the position that is described in that subparagraph i is the particular position—is held to reduce the risk, with respect to the position described in subparagraph i, from

(1) in the case of a position described in subparagraph i that consists of commodities described in subparagraph 1 of that subparagraph i, price changes or fluctuations in the value of currency with respect to such commodities, or

(2) in the case of a position described in subparagraph i that consists of a debt described in subparagraph 2 of that subparagraph i, fluctuations in interest rates or in the value of currency with respect to the debt;

(b) the transferor or a connected person (in this subparagraph referred to as the “holder”) continues to hold a position—that would be an offsetting position in respect of the particular position if the particular position continued to be held by the transferor—throughout a 30-day period beginning on the date of disposition of the particular position, and at no time during the period

i. is the holder’s risk of loss or opportunity for gain or profit with respect to the position reduced in any material respect by another position entered into or disposed of by the holder, or

ii. would the holder’s risk of loss or opportunity for gain or profit with respect to the position be reduced in any material respect by another position entered into or disposed of by a connected person, if the other position were entered into or disposed of by the holder; or

(c) it can reasonably be considered that none of the main purposes of the series of transactions or events, or any of the transactions or events in the series, of which the holding of both the particular position and offsetting position are part, is to avoid, reduce or defer tax that would otherwise be payable under this Act.

“**175.14.** For the purposes of this division,

(a) if a position of a person or partnership is not a property of the person or partnership, the person or partnership is deemed

i. to hold the position at any time while it is a position of the person or partnership, and

ii. to have disposed of the position when the position is settled or extinguished in respect of the person or partnership;

(b) the disposition of a position is deemed to include the disposition of a portion of the position;

(c) a first position held by one or more persons or partnerships referred to in paragraph *a* of the definition of “offsetting position” in section 175.11 is deemed to be an offsetting position in respect of a particular position of a person or partnership if

i. there is a high degree of negative correlation between changes in value of the first position and that of the particular position, and

ii. it can reasonably be considered that the principal purpose of the series of transactions or events, or any of the transactions in the series, of which the holding of both the first position and the particular position are part, is to avoid, reduce or defer tax that would otherwise be payable under this Act; and

(d) one or more positions held by one or more persons or partnerships referred to in paragraph *a* of the definition of “offsetting position” in section 175.11 are deemed to be a successor position in respect of a particular position of a person or partnership if

i. a portion of the particular position was disposed of at a particular time,

ii. the position is, or the positions include, as the case may be, a position that consists of the portion of the particular position that was not disposed of (in this paragraph referred to as the “remaining portion of the particular position”),

iii. where there is more than one position, any position that does not consist of the remaining portion of the particular position was entered into during the period that begins 30 days before, and ends 30 days after, the particular time referred to in subparagraph i,

iv. the position is, or the positions taken together would be, as the case may be, an offsetting position in respect of a second position (within the meaning assigned by the definition of “successor position” in section 175.11),

v. the second position described in subparagraph iv was an offsetting position in respect of the particular position, and

vi. it can reasonably be considered that the principal purpose of the series of transactions or events, or any of the transactions in the series, of which the disposition of a portion of the particular position and the holding of one or more positions are part, is to avoid, reduce or defer tax that would otherwise be payable under this Act.

**“175.15.** The presumption provided for in the second paragraph applies where

(a) at any time in a particular taxation year of a transferor, a position referred to in any of subparagraphs ii to iv of subparagraph *a* of the fourth paragraph of section 175.12 (in this section referred to as the “gain position”) is held by a connected person;

(b) the connected person disposes of the gain position in the particular taxation year; and

(c) the taxation year of the connected person in which the disposition referred to in subparagraph *b* occurs ends after the end of the particular taxation year.

Where the conditions of the first paragraph are met, the portion of the profit, if any, realized from the disposition of the gain position referred to in subparagraph *b* of the first paragraph that is determined by the following formula is deemed, for the purposes of the definition of “unrecognized profit” in section 175.11 and the second paragraph of section 175.12, to be unrecognized profit in respect of the gain position until the end of the taxation year of the connected person in which the disposition occurs:

$$A \times B/C.$$

In the formula in the second paragraph,

(a) *A* is the amount of the profit otherwise determined;

(b) *B* is the number of days in the taxation year of the connected person in which the disposition referred to in subparagraph *b* of the first paragraph occurs that are after the end of the particular taxation year; and

(c) *C* is the total number of days in the taxation year of the connected person in which the disposition referred to in subparagraph *b* of the first paragraph occurs.”

(2) Subsection 1 applies in respect of a position (as defined in section 175.11 of the Act, enacted by subsection 1) of a person or partnership where

(1) the position is acquired, entered into, renewed or extended, or becomes owing, by the person or partnership after 21 March 2017; or

(2) an offsetting position (as defined in section 175.11 of the Act, enacted by subsection 1) in respect of the position is acquired, entered into, renewed or extended, or becomes owing, by the person or partnership or a connected person (within the meaning assigned by subparagraph ii of paragraph *a* of the definition of “offsetting position” in that section 175.11) after 21 March 2017.

**47.** (1) Section 230 of the Act is amended by replacing “in respect of” in subparagraph ii of subparagraph *c* of the first paragraph by “for”.

(2) Subsection 1 applies in respect of an expenditure incurred after 16 September 2016.

**48.** (1) Section 230.0.0.4.1 of the Act is amended by replacing the first paragraph by the following paragraph:

“A taxpayer shall, in respect of an expenditure that would be an expenditure made by the taxpayer in a taxation year that begins after 31 December 1995 if this Act were read without reference to section 482 and that is claimed by the taxpayer for the year as a deduction under this division, file with the Minister, on or before the day that is 12 months after the taxpayer’s filing-due date for the year, the prescribed form containing

(a) prescribed information in respect of the expenditure; and

(b) claim preparer information within the meaning of section 1045.0.1.3.”

(2) Subsection 1 has effect from 14 December 2017.

**49.** (1) The Act is amended by inserting the following section after section 230.0.0.4.1:

“**230.0.0.4.2.** Subject to section 230.0.0.5, where prescribed information in relation to an expenditure referred to in subparagraph *a* of the first paragraph of section 230.0.0.4.1 is not contained in the form referred to in that section, no amount in relation to the expenditure may be deducted under sections 222 to 224.”

(2) Subsection 1 has effect from 14 December 2017.

**50.** (1) Section 238 of the Act is amended by replacing paragraph *a* by the following paragraph:

“(a) a disposition deemed to have occurred under section 242, as it read before 1 January 1993, any of sections 281, 283, 299 to 300, 436, 440, 444, 450, 450.6 and 653, Chapter I of Title I.1 of Book VI, paragraph *a* or *c* of section 785.5 or any of sections 832.1, 851.22.0.4, 851.22.15, 851.22.23 to 851.22.31, 861, 862 and 999.1;”.

(2) Subsection 1 applies to a taxation year that begins after 31 December 2017.

**51.** (1) Section 257 of the Act is amended

(1) by replacing paragraph *i* by the following paragraph:

“(i) where the property is a share, or a right in or to a share, of the capital stock of a corporation acquired before 1 August 1976, an amount equal to the expenses incurred by the taxpayer as consideration to acquire the property, to the extent that such expenses are for the taxpayer Canadian exploration and

development expenses under paragraph *e* of section 364, Canadian exploration expenses under paragraph *e* of section 395, Canadian development expenses under paragraph *e* of section 408 or Canadian oil and gas property expenses under paragraph *c* of section 418.2;”;

(2) by replacing subparagraph 3 of subparagraph *i* of paragraph *l* by the following subparagraph:

“(3) paragraph *z.4* of section 87, sections 89 to 91 and 144, section 144.1, as it read before being repealed, section 145, paragraph *j* of section 157, as it read before being struck out, sections 205 to 207, 235, 236.2 to 241, 264, 271, 273, 288 and 293, Division XV of Chapter IV, section 425, paragraphs *g* and *h* of section 489, as they read before being struck out, sections 638.1, 741.2 and 743, section 744.1, as it applied to dispositions of property that occurred before 27 April 1995, and section 744.6.”.

(2) Paragraph 2 of subsection 1 has effect from 16 September 2016.

**52.** (1) Section 262.0.1 of the Act is amended

(1) by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) at any time a corporation resident in Canada or a partnership of which such a corporation is a member (such corporation or partnership being in this section and section 262.0.2 referred to as the “borrowing party”) has received a loan from, or become indebted to, a creditor that is a foreign affiliate (in this section and section 262.0.2 referred to as a “creditor affiliate”) of a qualifying entity or that is a partnership (in this section referred to as a “creditor partnership”) of which such an affiliate is a member; and”;

(2) by striking out subparagraph *c* of the first paragraph;

(3) by replacing the second paragraph by the following paragraph:

“The rules to which the first paragraph refers, in relation to the borrowing party’s capital gain or capital loss in respect of the repayment of the loan or indebtedness that would be determined, in the absence of this section, under section 262, are the following:

(a) in the case of a capital gain, the gain is to be reduced,

i. if the creditor is a creditor affiliate, by an amount, not exceeding that capital gain, that is equal to twice the aggregate of all amounts each of which is an amount that would—in the absence of subparagraph *ii* of paragraph *g* of subsection 2 of section 40 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and paragraph *g.04* of subsection 2 of section 95 of that Act and on the assumption that the creditor affiliate’s capital loss in respect of the repayment of the loan or indebtedness were a capital gain of the creditor affiliate, the creditor affiliate had no other income,

loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year—be included in computing a qualifying entity’s income for the purposes of the Income Tax Act under subsection 1 of section 91 of that Act for its taxation year that includes the last day of the taxation year of the creditor affiliate that includes the later time, or

ii. if the creditor is a creditor partnership, by an amount, not exceeding that capital gain, that is equal to twice the amount that is the total of each amount, determined in respect of a particular member of the creditor partnership that is a foreign affiliate of a qualifying entity, that is equal to the aggregate of all amounts each of which is an amount that would—in the absence of subparagraph ii of paragraph *g* of subsection 2 of section 40 of the Income Tax Act and paragraph *g.04* of subsection 2 of section 95 of that Act and on the assumption that the creditor partnership’s capital loss in respect of the repayment of the loan or indebtedness were a capital gain of the creditor partnership, the particular member had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year—be included in computing a qualifying entity’s income for the purposes of the Income Tax Act under subsection 1 of section 91 of that Act for its taxation year that includes the last day of the taxation year of the particular member that includes the last day of the creditor partnership’s fiscal period that includes the later time; and

(*b*) in the case of a capital loss, the amount of the loss is to be reduced,

i. if the creditor is a creditor affiliate, by an amount, not exceeding that capital loss, that is, in relation to the creditor affiliate’s capital gain in respect of the repayment of the loan or indebtedness, equal to twice the aggregate of all amounts each of which is an amount that would—in the absence of paragraph *g.04* of subsection 2 of section 95 of the Income Tax Act and on the assumption that the creditor affiliate had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year—be included in computing a qualifying entity’s income for the purposes of the Income Tax Act under subsection 1 of section 91 of that Act for its taxation year that includes the last day of the taxation year of the creditor affiliate that includes the later time, or

ii. if the creditor is a creditor partnership, by an amount, not exceeding that capital loss, that is, in relation to the creditor partnership’s capital gain in respect of the repayment of the loan or indebtedness, equal to twice the amount that is the total of each amount, determined in respect of a particular member of the creditor partnership that is a foreign affiliate of a qualifying entity, that is equal to the aggregate of all amounts each of which is an amount that would—in the absence of paragraph *g.04* of subsection 2 of section 95 of the Income Tax Act and on the assumption that the particular member had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year—be included in computing a qualifying



entity's income for the purposes of the Income Tax Act under subsection 1 of section 91 of that Act for its taxation year that includes the last day of the taxation year of the particular member that includes the last day of the creditor partnership's fiscal period that includes the later time.”;

(4) by adding the following paragraphs at the end:

“The first and second paragraphs do not apply in respect of a repayment, in whole or in part, of a loan or indebtedness if a valid election was made in respect of the repayment under subsection 2.3 of section 39 of the Income Tax Act.

Chapter V.2 of Title II of Book I of Part I applies in relation to an election referred to in the third paragraph. However, for the application of section 21.4.7 to such an election, a taxpayer is deemed to have complied with a requirement of section 21.4.6 if the taxpayer complies with it on or before 23 March 2021.”

(2) Subsection 1 applies in respect of any portion of a loan received or indebtedness incurred before 20 August 2011 that remains outstanding on 19 August 2011 and that is repaid, in whole or in part, before 20 August 2016.

**53.** (1) The Act is amended by inserting the following section after section 262.0.1:

“**262.0.2.** For the purposes of section 262.0.1, “qualifying entity” means

(a) in the case of a borrowing party that is a corporation,

i. the borrowing party,

ii. a corporation resident in Canada of which

(1) the borrowing party is a subsidiary wholly-owned corporation, or

(2) a corporation described in this subparagraph ii is a subsidiary wholly-owned corporation,

iii. a corporation resident in Canada

(1) each share of the capital stock of which is owned by the borrowing party or a corporation described in subparagraph ii or this subparagraph iii, or

(2) all or substantially all of the capital stock of which is owned by one or more corporations resident in Canada that are borrowing parties in respect of the creditor affiliate under section 577.6, or

iv. a partnership each member of which is

(1) a corporation described in any of subparagraphs i to iii, or

(2) another partnership described in this subparagraph iv; and

(b) in the case of a borrowing party that is a partnership,

i. the borrowing party,

ii. if each member of the borrowing party is either a corporation resident in Canada (in this subparagraph *b* referred to as the “parent”) or a corporation resident in Canada that is a subsidiary wholly-owned corporation, within the meaning of subsection 5 of section 544, of the parent,

(1) the parent, or

(2) a corporation resident in Canada that is a subsidiary wholly-owned corporation, within the meaning of subsection 5 of section 544, of the parent, or

iii. a partnership each member of which is

(1) the borrowing party,

(2) a corporation described in subparagraph ii, or

(3) another partnership described in this subparagraph iii.

For the purposes of subparagraph ii of subparagraph *b* of the first paragraph, a member of a particular partnership is deemed to be a member of any other partnership of which the particular partnership is a member.”

(2) Subsection 1 applies in respect of any portion of a loan received or indebtedness incurred before 20 August 2011 that remains outstanding on 19 August 2011 and that is repaid, in whole or in part, before 20 August 2016.

**54.** Section 271 of the Act is amended by replacing subparagraph i of subparagraph *d* of the second paragraph by the following subparagraph:

“i. where the acquisition date is before 23 February 1994 and the individual or a spouse of the individual elected under section 726.9.2 in respect of the property or a right therein that was owned, immediately before the disposition, by the individual,  $\frac{4}{3}$  of the lesser of

(1) the aggregate of all amounts each of which is the taxable capital gain of the individual or of a spouse of the individual that would have resulted from an election by the individual or spouse under section 726.9.2 in respect of the property or right if this Act were read without reference to section 726.9.3 and the amount designated in the election were equal to the amount by which the fair market value of the property or right at the end of 22 February 1994 exceeds the amount designated in the election that was made in respect of the property or right that exceeds  $\frac{11}{10}$  of its fair market value at that time, and

(2) the aggregate of all amounts each of which is the taxable capital gain of the individual or of a spouse of the individual that would have resulted from an election that was made under section 726.9.2 in respect of the property or right if the property were the principal residence of neither the individual nor the spouse for each particular taxation year unless the property was designated, in a fiscal return for the taxation year that includes 22 February 1994 or for a preceding taxation year, to be the principal residence of either of them for the particular taxation year, and”.

**55.** (1) Section 311 of the Act is amended by inserting the following paragraph after paragraph *c.1*:

“(c.2) an income replacement benefit paid under Part 2 of the Veterans Well-being Act (Statutes of Canada, 2005, chapter 21), if the amount is determined under subsection 1 of section 19.1, paragraph *b* of subsection 1 of section 23 or subsection 1 of section 26.1 of that Act (as modified, where applicable, under Part 5 of that Act);”.

(2) Subsection 1 has effect from 1 April 2019.

**56.** Section 333.8 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the restrictive covenant directly relates to the acquisition from one or more other persons (in this section and section 333.13 referred to as the “vendors”) by the purchaser of a right in the individual’s employer, in a corporation related to that employer or in a business carried on by that employer;”.

**57.** Section 333.9 of the Act is amended by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(b) the vendor does not, at any time after the grant of the restrictive covenant and whether directly or indirectly in any manner whatever, have a right in the family corporation or in the eligible corporation of the eligible individual, as the case may be.”

**58.** Section 333.13 of the Act is amended by striking out “or interest” in paragraph *a*.

**59.** (1) Section 336 of the Act is amended by replacing subparagraph *iv* of paragraph *e* by the following subparagraph:

“iv. a decision of the Canada Employment Insurance Commission under the Employment Insurance Act or an appeal of such a decision to the Social Security Tribunal.”.

(2) Subsection 1 applies in respect of an appeal to the Social Security Tribunal filed, and a decision made by the Canada Employment Insurance Commission, after 31 March 2013. It also applies in respect of an appeal for which leave has been granted under section 267 or 268 of the Jobs, Growth and Long-term Prosperity Act (Statutes of Canada, 2012, chapter 19).

**60.** (1) Section 336.8 of the Act is amended by replacing subparagraph *i* of paragraph *c* of the definition of “eligible retirement income” in the first paragraph by the following subparagraph:

“*i.* the aggregate of all amounts received by the individual in the year on account of

(1) a retirement income security benefit paid under Part 2 of the Veterans Well-being Act (Statutes of Canada, 2005, chapter 21), or

(2) an income replacement benefit paid under Part 2 of the Veterans Well-being Act, if the amount is determined under subsection 1 of section 19.1, paragraph *b* of subsection 1 of section 23 or subsection 1 of section 26.1 of that Act (as modified, where applicable, under Part 5 of that Act), and”.

(2) Subsection 1 has effect from 1 April 2019.

**61.** (1) Section 359.2.1 of the Act is amended by replacing the portion before paragraph *a* by the following:

“**359.2.1.** Where a person gave consideration under an agreement to a corporation for the issue of a flow-through share of the corporation, the corporation’s paid-up capital amount at the time the consideration was given was not more than \$15,000,000, and during the period beginning on the particular day the agreement was entered into and ending on the earlier of 31 December 2018 and the day that is 24 months after the end of the month that included that particular day, the corporation incurred Canadian development expenses that are described in paragraph *a* or *a.1* of section 408 or that would be described in paragraph *d* of that section if the words “expenses described in paragraphs *a* to *c*” in that paragraph were read as “expenses described in paragraph *a* or *a.1*” and that are not expenses deemed to have been incurred after 31 December 2018 under section 359.8, the corporation may, after it complies with section 359.10 in respect of the share and before 1 March of the first calendar year that begins after that period, renounce to the person in respect of the share the amount by which the part of those expenses incurred by it on or before the effective date of the renunciation, which part is in this section referred to as the “specified expenses”, exceeds the aggregate of”.

(2) Subsection 1 has effect from 14 December 2017. However, where section 359.2.1 of the Act applies in respect of an agreement entered into after 31 December 2016 but before 22 March 2017, the portion of that section 359.2.1 before paragraph *a* is to be read as if “the earlier of 31 December 2018 and” were struck out.

**62.** Section 360 of the Act is amended by replacing the second paragraph by the following paragraph:

“Such regulation may allow an amount for only a part of or for all of the natural accumulations of petroleum or natural gas, oil or gas wells or mineral resources in which the taxpayer has a right, or of the ore processing operations referred to in the first paragraph and carried on by the taxpayer, and the Government may prescribe a formula to determine such amount.”

**63.** Section 370 of the Act is amended

- (1) by striking out “or real property” in paragraphs *c* and *e*;
- (2) by striking out “or an interest” in paragraphs *d* and *d.1*;
- (3) by replacing paragraphs *f* and *g* by the following paragraphs:

“(f) any right in or to any property described in any of paragraphs *a* to *d.1*, other than such a right that the taxpayer has because the taxpayer is a beneficiary under a trust or a member of a partnership; or

“(g) a real right in an immovable property described in paragraph *e*, other than such a right that the taxpayer has because the taxpayer is a beneficiary under a trust or a member of a partnership.”

**64.** (1) Section 395 of the Act is amended

(1) by adding the following subparagraph at the end of subparagraph *i* of paragraph *b.1*:

“(3) the expense is incurred before 1 January 2019, excluding an expense that is deemed to have been incurred on 31 December 2018 under section 359.8, or before 1 January 2021 in connection with an obligation in writing entered into by the taxpayer before 22 March 2017, including an obligation towards a government under the terms of a license or permit, excluding an expense that is deemed to have been incurred on 31 December 2020 under section 359.8;”;

(2) by replacing “any interest in or right to” in paragraph *e* by “any right in or to”.

(2) Paragraph 1 of subsection 1 has effect from 14 December 2017.

**65.** Section 408 of the Act is amended

(1) by replacing the portion of paragraph *c* before subparagraph *i* by the following:

“(c) despite section 144, the cost to the taxpayer of a property described in any of paragraphs *b*, *d.1* and *e* of section 370 or of a right in or to such a property, other than a right that the taxpayer has because the taxpayer is a beneficiary under a trust or a member of a partnership, including any payment for the preservation of a taxpayer’s rights in respect of such a property or such a right, but excluding, except for the application of this paragraph to a taxation year that begins after 31 December 2007,”;

(2) by replacing “any interest in or right to” in paragraph *e* by “any right in or to”.

**66.** Section 412 of the Act is amended by replacing the portion of paragraph *b* before subparagraph *i* by the following:

“(b) all amounts each of which is, in respect of the disposition by the taxpayer before that time of a property described in any of paragraphs *b*, *d.1* and *e* of section 370, of a property disposed of after 21 March 2011 which was described in any of those paragraphs and the cost of which when acquired by the taxpayer was included in the Canadian development expense of the taxpayer, or of any right in or to such a property, other than such a right that the taxpayer has by reason of being a beneficiary under a trust or a member of a partnership, equal to the amount by which”.

**67.** Section 418.3 of the Act is replaced by the following section:

“**418.3.** Canadian oil and gas property expense does not include, however, any consideration given by the taxpayer for any share or any right in or to a share, except as provided by paragraph *c* of section 418.2, or any expense referred to in that paragraph and incurred by any other taxpayer to the extent that the expense is for the latter a Canadian oil and gas property expense under that paragraph, a Canadian exploration expense under paragraph *e* of section 395 or a Canadian development expense under paragraph *e* of section 408.”

**68.** Section 421.7 of the Act is replaced by the following section:

“**421.7.** Where a person owns or leases a motor vehicle jointly with one or more other persons, the reference in paragraphs *d.3* and *d.4* of section 99 to the amount of \$20,000, in section 421.5 to the amount of \$250 and in section 421.6 to the amounts of \$600, \$20,000 and \$23,529 is to be read as a reference to that proportion of each of those amounts or such other amounts as may be prescribed for the purposes of those provisions that the fair market value of the first-mentioned person’s right in the vehicle is of the fair market value of the rights in the vehicle of all those persons.”

**69.** Section 449 of the Act is replaced by the following section:

**“449.** The amounts that must be deducted from the debts of the individual under paragraph *b* of section 445 and section 446 are the duties payable, by reason of the individual’s death, in respect of any property of the trust or any right in such a property, and any debt secured by a hypothec or mortgage on property owned by the individual immediately before the individual’s death.”

**70.** (1) Section 467.1 of the Act is amended by replacing paragraph *d* by the following paragraph:

“(d) by a trust that acquired the property, or other property for which the property is a substitute, from a particular individual, if

i. the particular individual acquired the property or the other property, as the case may be, in respect of another individual because of the application of subsection 1 of section 122.61 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), section 4 of the Universal Child Care Benefit Act, enacted by section 168 of the Budget Implementation Act, 2006 (Statutes of Canada, 2006, chapter 4), or section 1029.8.61.18, and

ii. the trust has no beneficiaries, within the meaning of the second paragraph of section 646, who may for any reason receive directly from the trust all or part of the income or capital of the trust other than individuals in respect of whom the particular individual acquired property because of the application of a provision described in subparagraph i.”

(2) Subsection 1 applies to a taxation year that ends after 15 September 2016.

**71.** Section 487.2 of the Act is replaced by the following section:

**“487.2.** The amount to which the first paragraph of section 487.1 refers is the amount by which the amount computed under section 487.2.1 is exceeded by the aggregate of all amounts each of which is the interest, computed at the prescribed rate, in respect of each such debt for the period of the year in which it was unpaid, or the interest paid or payable for the year in respect of each such debt

(a) by a person or partnership that employed or planned to employ the individual;

(b) by a person or partnership to which or for which the corporation provided or was to provide services; or

(c) by a person who was not a debtor of the debt and who was related to the person or partnership described in paragraph *a* or was not dealing at arm’s length with the person or partnership described in paragraph *b*.”

**72.** (1) Section 487.4 of the Act is replaced by the following section:

**“487.4.** The amount to which section 487.3 refers is the amount by which the aggregate of all amounts each of which is the interest in respect of each such debt, computed at the prescribed rate for the period of the year in which it was unpaid, exceeds the aggregate of all amounts each of which is

(a) the amount of interest paid for the year in respect of each such debt (other than debts incurred as or on account of loans that are deemed to have been received under section 113.4) not later than 30 days after the end of the year; or

(b) the amount of interest determined, for the year, in respect of each debt incurred as or on account of loans that are deemed to have been received under section 113.4.”

(2) Subsection 1 applies

(1) in respect of a debt incurred after 21 March 2016; or

(2) in respect of any portion of a particular debt incurred before 22 March 2016 that remains owing on that day, as if that portion were a separate debt that was incurred on 22 March 2016 in the same manner and on the same terms as the particular debt.

**73.** (1) The Act is amended by inserting the following section after section 487.4:

**“487.4.1.** For the purposes of sections 487.1 to 487.6, the specified interest amount, for a year, in respect of a debt (in this section referred to as the “deemed loan”) contracted as or on account of a loan that is deemed to have been received under section 113.4 from a particular ultimate funder, is the amount determined by the formula

$A \times B/C$ .

In the formula in the first paragraph,

(a) A is the total amount of interest for the year paid not later than 30 days after the end of the year in respect of all debts that are owing to the particular ultimate funder under one or more funding arrangements by one or more funders, but excluding any funders that are ultimate funders, and that gave rise to the deemed loan;

(b) B is the average amount owing for the year in respect of the deemed loan; and



(c) C is the aggregate of all amounts each of which is the average amount owing in the year as or on account of an amount owing in respect of a debt described in subparagraph *a*.

In this section, “funder”, “funding arrangement” and “ultimate funder” have the meaning assigned by section 113.7.”

(2) Subsection 1 applies

(1) in respect of a debt contracted after 21 March 2016; or

(2) in respect of any portion of a particular debt contracted before 22 March 2016 that remains owing on that day, as if that portion were a separate debt that was contracted on 22 March 2016 in the same manner and on the same terms as the particular debt.

**74.** Section 487.5.1 of the Act is replaced by the following section:

“**487.5.1.** For the purpose of computing the benefit under the first paragraph of section 487.1 in a taxation year in respect of a debt contracted for a home purchase loan or a home relocation loan, the aggregate of all amounts each of which is the interest on all such debts, computed at the prescribed rate for the period in the year during which it was outstanding, must not exceed the aggregate of the amounts that would have been determined in this manner if the interest had been computed at the rate of 8% in the case of a debt contracted before 1 May 1987 or, in any other case, at the prescribed rate in effect at the time the debt was contracted.”

**75.** Section 487.5.2 of the Act is replaced, in the French text, by the following section:

“**487.5.2.** Pour l’application des articles 487.1 à 487.6, à l’exception du paragraphe *b* de l’article 487.5, dans le cas d’une dette, autre qu’une dette prescrite, contractée au titre d’un prêt consenti pour l’acquisition d’une résidence ou d’un prêt à la réinstallation d’un particulier, dont le délai de remboursement est supérieur à cinq ans, le solde dû sur la dette le jour qui survient cinq ans après le jour où la dette a été contractée ou est réputée pour la dernière fois avoir été contractée en vertu du présent article est réputée une nouvelle dette contractée au titre d’un prêt pour l’acquisition d’une résidence ce même jour.”

**76.** Section 487.5.4 of the Act is amended, in the French text,

(1) by replacing “*réfère*” in the portion before paragraph *a* by “*fait référence*”;

(2) by replacing paragraph *c* by the following paragraph:

“*c*) une personne liée à une personne visée à l’un des paragraphes *a* et *b*.”

**77.** (1) Section 491 of the Act is amended

(1) by replacing paragraph *e.1* by the following paragraph:

“(*e.1*) an amount received on account of

i. a Canadian Forces income support benefit payable under Part 2 of the Veterans Well-being Act (Statutes of Canada, 2005, chapter 21),

ii. pain and suffering compensation, additional pain and suffering compensation or a critical injury benefit, disability award, death benefit, clothing allowance or detention benefit payable under Part 3 of the Veterans Well-being Act,

iii. a caregiver recognition benefit payable under Part 3.1 of the Veterans Well-being Act, or

iv. an amount payable under subsection 1 of section 132 of the Veterans Well-being Act;”;

(2) by adding the following paragraph after paragraph *g*:

“(*h*) an amount received under the Memorial Grant Program for First Responders established under the authority of the Department of Public Safety and Emergency Preparedness Act (Statutes of Canada, 2015, chapter 10) in respect of individuals who die in the course of, or as a result of, their duties or as a result of an occupational illness or psychological impairment.”

(2) Paragraph 1 of subsection 1 has effect from 1 April 2019. However, where section 491 of the Act applies to the taxation year 2019, it is to be read as if “family caregiver relief benefit or” were inserted before “caregiver recognition benefit” in subparagraph iii of paragraph *e.1*.

(3) Paragraph 2 of subsection 1 applies in respect of an amount received after 31 March 2018.

**78.** (1) Section 529 of the Act is amended by replacing the first paragraph by the following paragraph:

“Where a partnership disposes of any property (other than an eligible derivative, within the meaning of section 85.8, if subparagraph *b* of the first paragraph of section 85.7 applies to the partnership) to a taxable Canadian corporation for consideration that includes a share of the capital stock of the corporation, and all the members of the partnership and the corporation make a valid election for the purposes of subsection 2 of section 85 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the disposition or, where that election cannot be made by reason of subsection 21.2 of section 13 of that Act, make an election, in the prescribed

form referred to in the first paragraph of section 520.1, the provisions of Divisions I to III apply, with the necessary modifications, in respect of the disposition as if the partnership were a taxpayer resident in Canada that had disposed of the property to the corporation.”

(2) Subsection 1 applies to a taxation year that begins after 21 March 2017.

**79.** (1) The Act is amended by inserting the following section after section 555.0.3:

**“555.0.4.** If, at a particular time, there is a merger of two or more foreign corporations, one of the foreign corporations (in this section referred to as the “particular corporation”) disposes, because of the merger, of a particular taxable Canadian property that is a share of the capital stock of a corporation, an interest in a partnership or an interest in a trust, the particular property becomes property of the corporation resulting from the merger (in this section referred to as the “new corporation”) and the new corporation and the particular corporation make a valid election under paragraph *e* of subsection 8.4 of section 87 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the merger, the following rules apply:

(a) if the particular property is an interest in a partnership,

i. the particular corporation is deemed not to have disposed of the particular property, and

ii. the new corporation is deemed

(1) to have acquired the particular property at a cost equal to the cost of the particular property to the particular corporation, and

(2) to be the same corporation as, and a continuation of, the particular corporation in respect of the particular property; and

(b) if the particular property is a share of the capital stock of a corporation or an interest in a trust,

i. the particular property is deemed to have been disposed of at the particular time by the particular corporation to the new corporation for proceeds of disposition equal to the adjusted cost base of the property to the particular corporation immediately before that time, and

ii. the cost of the particular property to the new corporation is deemed to be equal to the amount that is deemed to be the proceeds of disposition of the property under subparagraph i.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *e* of subsection 8.4 of section 87 of the Income Tax Act.”

(2) Subsection 1 applies to a merger that occurs after 15 September 2016. However, for the application of section 21.4.7 of the Act to an election referred to in the first paragraph of section 555.0.4 of the Act and made before 24 September 2020, the electors are deemed to have complied with a requirement of section 21.4.6 of the Act if they comply with it on or before 23 March 2021.

**80.** Section 572.2 of the Act is amended by replacing “a right or an interest in” by “a right in”.

**81.** (1) Section 576.2 of the Act is amended by replacing paragraph *b* of the definition of “specified debtor” by the following paragraph:

“(b) a person with which the taxpayer does not, at that time, deal at arm’s length, other than

i. a corporation not resident in Canada that is, at that time, a controlled foreign affiliate, within the meaning of section 127.1, of the taxpayer, or

ii. a corporation not resident in Canada (other than a corporation described in subparagraph i) that is, at that time, a foreign affiliate of the taxpayer, if each share of the capital stock of the affiliate is owned at that time by any of

(1) the taxpayer,

(2) a person resident in Canada,

(3) a person not resident in Canada that deals at arm’s length with the taxpayer,

(4) a person described in subparagraph i,

(5) a partnership each member of which is a partnership described in this subparagraph 5 or a person described in any of subparagraphs 1 to 4 and 6, and

(6) a corporation each shareholder of which is a partnership described in subparagraph 5 or a person described in any of subparagraphs 1 to 4 or in this subparagraph 6;”.

(2) Subsection 1 applies in respect of a loan received or indebtedness incurred after 19 August 2011. In addition, it applies in respect of any portion of a loan received or indebtedness incurred before 20 August 2011 that remains outstanding on 19 August 2014.

**82.** (1) The Act is amended by inserting the following section after section 577.5:

“**577.5.1.** For the purposes of sections 262.0.1, 262.0.2, 576.2, 577.5 and 577.6 to 577.11, the rules set out in the second paragraph apply at a particular time where

(a) immediately before the particular time, a person or partnership (in this section referred to as the “original debtor”) owes an amount in respect of a loan or indebtedness (in this section referred to as the “pre-transaction loan”) to another person or partnership (in this section referred to as the “original creditor”);

(b) the pre-transaction loan was, at the time it was made or entered into, a loan or indebtedness described in section 577.5; and

(c) in the course of an amalgamation, a merger, a winding-up or a liquidation and dissolution, any of the following facts occurs:

i. the amount owing in respect of the pre-transaction loan becomes owing at the particular time by another person or partnership (the amount owing after the particular time and the other person or partnership being in the second paragraph referred to as the “post-transaction loan payable” and the “new debtor”, respectively),

ii. the amount owing in respect of the pre-transaction loan becomes owing at the particular time to another person or partnership (the amount owing after the particular time and the other person or partnership being in the second paragraph referred to as the “post-transaction loan receivable” and the “new creditor”, respectively), or

iii. the taxpayer in respect of which the original debtor was a specified debtor at the time referred to in subparagraph *b*

(1) ceases to exist, or

(2) merges with one or more corporations to form one corporate entity (in the second paragraph referred to as the “new corporation”).

The rules to which the first paragraph refers are as follows:

(a) if the fact described in subparagraph i of subparagraph *c* of the first paragraph occurred,

i. the post-transaction loan payable is deemed to be the same loan or indebtedness as the pre-transaction loan, and

ii. the new debtor is deemed to be the same debtor as, and a continuation of, the original debtor;

(b) if the fact described in subparagraph ii of subparagraph *c* of the first paragraph occurred,

i. the post-transaction loan receivable is deemed to be the same loan or indebtedness as the pre-transaction loan, and

ii. the new creditor is deemed to be the same creditor as, and a continuation of, the original creditor;

(c) if the fact described in subparagraph 1 of subparagraph iii of subparagraph *c* of the first paragraph occurred,

i. subject to subparagraph ii, each entity that held an interest in the taxpayer described in that subparagraph iii immediately before the winding-up (in this subparagraph *c* referred to as a “successor entity”) is deemed to be the same entity as, and a continuation of, the taxpayer, and

ii. for the purpose of applying section 577.10 and subparagraph *a* of the second paragraph of section 577.11, an amount, in respect of a loan or indebtedness, equal to whichever of the following amounts is applicable is deemed to have been included under section 577.5 in computing the income of each successor entity:

(1) if the taxpayer is a partnership, the amount that may reasonably be considered to be the successor entity’s share of the specified amount that was required to be included in computing the taxpayer’s income under section 577.5 in respect of the loan or indebtedness, such share being determined in a manner consistent with the determination of the successor entity’s share of the income of the partnership under section 600 for the taxpayer’s final fiscal period, and

(2) in any other case, the portion of the specified amount included in computing the taxpayer’s income under section 577.5, in respect of the loan or indebtedness, represented by the proportion that the fair market value of the successor entity’s interest in the taxpayer, immediately before the distribution of the taxpayer’s assets on the winding-up, is of the fair market value of all interests in the taxpayer at that time; and

(*d*) if the fact described in subparagraph 2 of subparagraph iii of subparagraph *c* of the first paragraph occurred, the new corporation is deemed to be the same corporation as, and a continuation of, the taxpayer.”

(2) Subsection 1 applies to a transaction or event that occurs after 15 September 2016. In addition, it has effect from 20 August 2011 in respect of a taxpayer that made a valid election under subsection 5 of section 27 of the Budget Implementation Act, 2017, No. 2 (Statutes of Canada, 2017, chapter 33).

(3) Chapter V.2 of Title II of Book I of Part I of the Taxation Act applies in relation to an election referred to in subsection 2. However, for the application of section 21.4.7 of the Taxation Act to such an election, a taxpayer is deemed to have complied with a requirement of section 21.4.6 of the Act if the taxpayer complies with it on or before 23 March 2021.

**83.** (1) Section 577.6 of the Act is amended by replacing the portion before paragraph *a* by the following:

**“577.6.** For the purposes of this section and sections 262.0.1, 262.0.2, 576.2, 577.5 and 577.7 to 577.11, if at any time a person or partnership (in this section referred to as the “intermediate lender”) makes a loan to another person or partnership (in this section referred to as the “intended borrower”) because the intermediate lender received a loan from another person or partnership (in this section referred to as the “initial lender”), the following rules apply:”.

(2) Subsection 1 applies in respect of a loan received or indebtedness incurred after 19 August 2011. In addition, it applies in respect of any portion of a particular loan received or particular indebtedness incurred before 20 August 2011 that remains outstanding on 19 August 2014, as if that portion were a separate loan or separate indebtedness that was received or incurred, as the case may be, on 20 August 2014 in the same manner and on the same terms as the particular loan or particular indebtedness.

**84.** Section 591.2 of the Act is amended by replacing “a direct or indirect right or interest in” in subparagraphs *a* and *b* of the first paragraph by “a direct or indirect right in”.

**85.** Section 591.3 of the Act is amended by replacing “a direct or indirect right or interest in” in subparagraphs *a* and *b* of the first paragraph by “a direct or indirect right in”.

**86.** (1) Section 595 of the Act is amended by replacing subparagraph 1 of paragraph *b* by the following subparagraph:

“(1) the trust’s income for the particular taxation year (other than income— not including dividends or interest—from sources in Canada) is deemed to be from sources in that country and not to be from any other source, and”.

(2) Subsection 1 applies to a taxation year that ends after 15 September 2016.

**87.** Section 597.1 of the Act is amended

(1) by replacing “or an interest in” in paragraph *a* by “or a right in”;

(2) by replacing “has an interest in” in paragraph *b* by “has a right in”.

**88.** Section 597.3 of the Act is amended, in the first paragraph,

(1) by replacing “has an interest in” in the portion before subparagraph *a* by “has a right in”;

(2) by replacing “the interest in” in the portion of subparagraph *d* before subparagraph *i* by “the right in”.

**89.** Section 597.4 of the Act is replaced by the following section:

**“597.4.** Where in a taxation year a taxpayer holds or has a right in an offshore investment fund property and it may reasonably be concluded, taking all the circumstances into account, that one of the main reasons for the taxpayer acquiring, holding or having the right in such property was to derive a benefit from portfolio investments in assets listed in paragraphs *a* to *h* of section 597.2 in such a manner that the taxes on the income, profits and gains from such assets for a particular year are significantly less than the tax that would have been payable under this Part if the income, profits and gains had been earned directly by the taxpayer, the amount determined under section 597.6 for that year in respect of that property is to be included in computing the taxpayer’s income for the year.”

**90.** (1) Section 614 of the Act is amended by replacing the portion of the second paragraph before subparagraph *a* by the following:

“Despite any other provision of this Part, other than section 93.3.1 and the third paragraph, where a taxpayer disposes of any property (other than an eligible derivative, within the meaning of section 85.8, of the taxpayer if subparagraph *b* of the first paragraph of section 85.7 applies to the taxpayer) that is a capital property, Canadian resource property, foreign resource property or inventory to a partnership that, immediately after the disposition, is a Canadian partnership of which the taxpayer is a member, and the taxpayer and all the other members of the partnership make a valid election for the purposes of subsection 2 of section 97 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the disposition or, where that election cannot be made because of subsection 21.2 of section 13 of that Act, make an election, in the prescribed form referred to in the first paragraph of section 520.1, the following rules apply:”

(2) Subsection 1 applies to a taxation year that begins after 21 March 2017.

**91.** (1) The Act is amended by inserting the following section after section 619:

**“619.1.** For the purposes of sections 622, 623, 628 and 629, a leasehold interest in a depreciable property and an option to acquire a depreciable property are deemed to be depreciable properties.”

(2) Subsection 1 applies in respect of a partnership that ceases to exist after 15 September 2016.



**92.** Section 620 of the Act is amended

(1) by replacing the second paragraph by the following paragraph:

“However, the rules referred to in the first paragraph apply only if each of those persons has in each such property, immediately after that time, an undivided right equal, when expressed as a percentage, to the person’s undivided right, when so expressed, in each other property of the partnership, if all those persons make a valid election for the purposes of subsection 3 of section 98 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the property and if sections 530 to 533 and 626 to 631 do not apply.”;

(2) by replacing “of the undivided interest” in the third paragraph by “of the undivided right”.

**93.** Section 622 of the Act is replaced by the following section:

**“622.** The cost to each person to whom section 620 applies of an undivided right in each property of the partnership is deemed to be equal to that person’s share of the cost amount to the partnership of the property immediately before its distribution, plus, where the property is a non-depreciable capital property and the amount determined under paragraph *a* of section 621 in respect of that person exceeds the aggregate determined under paragraph *b* of section 621 in respect of that person, the portion of such excess designated by that person.”

**94.** Section 624 of the Act is replaced by the following section:

**“624.** For the purposes of sections 93 to 104, 130 and 130.1 and of the regulations made under paragraph *a* of section 130, where depreciable property of a prescribed class is distributed and the share of a person contemplated in section 620 in the capital cost of that property to the partnership exceeds the cost, to the person, of the person’s undivided right in that property, as determined under section 622, the following rules apply:

(*a*) the capital cost, to the person, of the person’s undivided right in the property is deemed to be equal to the person’s former share of the capital cost of such property to the partnership; and

(*b*) the excess is deemed to have been allowed to the person as depreciation for the taxation years before the acquisition by the person of the undivided right.”

**95.** (1) Section 637 of the Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(*a*) subject to the second paragraph, 1/2 of the portion of the taxpayer’s capital gain for the year from the disposition that can reasonably be attributed to the increase in the value of a property of the particular partnership that is

capital property (other than depreciable property) held directly or indirectly by the particular partnership through one or more other partnerships; and”.

(2) Subsection 1 applies in respect of a disposition that occurs after 13 August 2012.

**96.** Section 649 of the Act is amended

(1) by replacing “an interest”, “or interest” and “interests” by “a right”, “or a right” and “rights”, respectively, wherever they appear in the following provisions:

—subparagraphs 1 and 2 of subparagraph ii of paragraph *b*;

—subparagraph 6 of subparagraph iii of paragraph *b*;

—subparagraphs i and iii of paragraph *d*;

(2) by replacing subparagraph 7 of subparagraph iii of paragraph *b* by the following subparagraph:

“(7) rights in or to any rental or royalty computed by reference to the volume or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada.”.

**97.** (1) Section 668.1 of the Act is amended by replacing the portion of paragraph *b* before subparagraph i by the following:

“(b) the beneficiary is deemed, for the purposes of sections 28, 462.8 to 462.10 and 727 to 737, as they apply for the purposes of Title VI.5 of Book IV, and Divisions III and IV of Chapter II.1 of Title I of Book V, to have disposed of a capital property referred to in subparagraph i or ii if a capital gain is determined under either of those subparagraphs in respect of the beneficiary for the beneficiary’s taxation year in which the designation year ends and to have a taxable capital gain for that taxation year”.

(2) Subsection 1 applies from the taxation year 2018.

**98.** (1) Section 693.5 of the Act is amended

(1) by replacing the portion before the formula in the first paragraph by the following:

“**693.5.** Where the amount of \$400,000 referred to in subparagraph *a* of the first paragraph of section 726.7.1 is to be used for a taxation year subsequent to the taxation year 2014, it must be adjusted annually in such a manner that the amount used for that taxation year is equal to the total of the amount that,

but for the fifth paragraph, would have been used for the preceding taxation year and the product that is obtained by multiplying that amount so used by the factor determined by the formula”;

(2) by replacing the fourth paragraph by the following paragraph:

“If an index established in accordance with the third paragraph or the factor determined by the formula in the first paragraph has more than three decimal places, only the first three decimal digits are retained and the third is increased by one unit if the fourth is greater than 4.”

(2) Subsection 1 applies from the taxation year 2015.

**99.** (1) Section 725 of the Act is amended by replacing subparagraph ii of paragraph *d.1* by the following subparagraph:

“ii. the employment income that would have been earned by the individual while serving on the mission referred to in subparagraph i if the individual had been paid at the maximum rate of pay that applied, during the mission, to a Lieutenant-Colonel (General Service Officers) of the Canadian Forces; or”.

(2) Subsection 1 applies from the taxation year 2017.

**100.** (1) Section 744.6 of the Act is amended, in the third paragraph,

(1) by replacing the portion of subparagraph *b* before subparagraph i by the following:

“(b) *B* is, where the taxpayer is deemed to have received a dividend under section 508, to the extent that that section refers to section 506, in respect of the share, the aggregate determined under subparagraph ii, or, in any other case, the lesser of”;

(2) by replacing subparagraph iii of subparagraph *c* by the following subparagraph:

“iii. where the taxpayer is a partnership, a loss of a member of the partnership on a deemed disposition of the share before the particular time was reduced because of section 741.2 or 743; and”.

(2) Subsection 1 applies in respect of a disposition that occurs after 26 February 2018.

**101.** (1) The Act is amended by inserting the following section after section 745.2:

“**745.2.1.** For the purposes of paragraph *b* of section 744.6.1, section 745.1 does not apply in respect of a particular dividend received on a share on which a taxpayer is deemed to have received a dividend under section 508, to the

extent that section 508 refers to section 506, where the particular dividend is received during a synthetic disposition period of a synthetic disposition arrangement in respect of that share.”

(2) Subsection 1 applies in respect of a disposition that occurs after 26 February 2018.

**102.** (1) Section 752.0.7.4 of the Act is amended by adding the following subparagraph at the end of the second paragraph:

“(c) the aggregate of all amounts received in the year by the individual on account of an income replacement benefit payable under Part 2 of the Veterans Well-being Act, if the amount is determined under subsection 1 of section 19.1, paragraph *b* of subsection 1 of section 23 or subsection 1 of section 26.1 of that Act (as modified, where applicable, under Part 5 of that Act) or, as the case may be, the aggregate of all amounts received as such in the year by that eligible spouse.”

(2) Subsection 1 has effect from 1 April 2019.

**103.** Section 752.0.7.5 of the Act is amended by replacing paragraph *a* by the following paragraph:

“(a) the amount deductible by the particular individual for the year under section 752.0.7.4, determined without reference to this section, shall be reduced by such portion of the amount as the particular individual and the eligible spouse agree to attribute to the eligible spouse for the year in the prescribed form filed with the Minister by the particular individual with the particular individual’s fiscal return under this Part for the year;”.

**104.** (1) Section 752.0.10.0.8 of the Act is amended, in the first paragraph,

(1) by replacing paragraphs *a* and *b* of the definition of “dwelling” by the following paragraphs:

“(a) a housing unit; or

“(b) a share of the capital stock of a housing cooperative, the holder of which is entitled to possession of a housing unit;”;

(2) by replacing the portion of the definition of “eligible dwelling” before paragraph *a* by the following:

““eligible dwelling” in relation to an individual means a dwelling situated in Québec that is acquired at a particular time after 31 December 2017”.

(2) Subsection 1 applies from the taxation year 2018.

**105.** Section 752.0.10.10.2 of the Act is amended by striking out “or interest” in the portion of subparagraph *i* of paragraph *b* before subparagraph 1.

**106.** Section 752.0.18.3 of the Act is amended by striking out paragraph *i*.

**107.** Sections 752.0.18.4 and 752.0.18.5 of the Act are amended by striking out all occurrences of “and *i*”.

**108.** Section 752.0.18.6 of the Act is amended by replacing “paragraphs *a*, *b*, *d* to *g* and *i*” in the first paragraph by “any of paragraphs *a*, *b* and *d* to *g*”.

**109.** (1) Section 766.3.3 of the Act is amended

(1) by inserting the following definitions in alphabetical order:

““arm’s length capital”, of a specified individual, means property of the individual if the property, or property for which it is a substitute, was not

(*a*) acquired as income from, or a taxable capital gain or profit from the disposition of, another property that was derived directly or indirectly from a related business in respect of the specified individual;

(*b*) borrowed by the specified individual under a loan or other indebtedness; or

(*c*) transferred, directly or indirectly by any means whatever, to the specified individual from a person who was related to the specified individual (other than as a consequence of the death of the person);

““excluded business”, of a specified individual for a taxation year, means a business if the specified individual is actively engaged on a regular, continuous and substantial basis in the activities of the business in either

(*a*) the taxation year, except in respect of an amount described in paragraph *e* of the definition of “split income”; or

(*b*) any five prior taxation years of the specified individual;

““excluded shares”, of a specified individual at a particular time, means shares of the capital stock of a corporation owned by the specified individual if the following conditions are met:

(*a*) less than 90% of the business income of the corporation for the last taxation year of the corporation that ends at or before the particular time (or, if the corporation has no such taxation year, for the taxation year of the corporation that includes the particular time) was from the provision of services;

(*b*) the corporation is not a professional corporation;

(c) immediately before the particular time, the specified individual owns shares of the capital stock of the corporation that

i. give the holders thereof 10% or more of the votes that could be cast at the annual meeting of the shareholders of the corporation, and

ii. have a fair market value of 10% or more of the fair market value of all of the issued and outstanding shares of the capital stock of the corporation; and

(d) all or substantially all of the income of the corporation for the relevant taxation year in paragraph *a* is income that is not derived, directly or indirectly, from one or more related businesses in respect of the specified individual other than a business of the corporation;

““related business”, in respect of a specified individual for a taxation year, means

(a) a business carried on by

i. a source individual in respect of the specified individual at any time in the year, or

ii. a corporation, partnership or trust if a source individual in respect of the specified individual at any time in the year is actively engaged on a regular basis in the activities of the corporation, partnership or trust, as the case may be, related to earning income from the business;

(b) a business of a particular partnership, if a source individual in respect of the specified individual at any time in the year has an interest—including directly or indirectly—in the particular partnership; or

(c) a business of a corporation, if the following conditions are met at any time in the year:

i. a source individual in respect of the specified individual owns

(1) shares of the capital stock of the corporation, or

(2) property that derives, directly or indirectly, all or part of its fair market value from shares of the capital stock of the corporation, and

ii. the amount that is 10% of the total fair market value of all of the issued and outstanding shares of the capital stock of the corporation is equal to or less than the aggregate of

(1) the total fair market value of shares described in subparagraph 1 of subparagraph i, and

(2) the portion of the total fair market value of property described in subparagraph 2 of subparagraph i that is derived from shares of the capital stock of the corporation;”;

(2) by replacing the definition of “excluded amount” by the following definition:

““excluded amount”, in respect of an individual for a taxation year, means an amount that is the individual’s income for the year from, or the individual’s taxable capital gain or profit for the year from the disposition of, a property to the extent that the amount

(a) where the individual has not attained the age of 24 years before the year, is from a property that was acquired by, or for the benefit of, the individual as a consequence of the death of a person who is

i. the individual’s father or mother, or

ii. any other person, if the individual is enrolled as a full-time student during the year at a prescribed educational institution for the purposes of paragraph *d* of the definition of “trust” in section 890.15, or an individual in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the year;

(b) is from a property acquired by the individual under a transfer described in section 1034.0.1;

(c) is a taxable capital gain that arises because of section 436;

(d) is a taxable capital gain for the year from the disposition by the individual of property that is, at the time of the disposition, qualified farm or fishing property, within the meaning of section 726.6, or qualified small business corporation shares, within the meaning of section 726.6.1, unless the amount would be deemed to be a dividend under section 766.3.5 or 766.3.6 if this definition were read without reference to this paragraph;

(e) where the individual has attained the age of 17 years before the year, is

i. not derived directly or indirectly from a related business in respect of the individual for the year, or

ii. derived directly or indirectly from an excluded business of the individual for the year;

(f) where the individual has attained the age of 17 years but not the age of 24 years before the year, is

i. a safe harbour capital return of the individual, or

ii. a reasonable return in respect of the individual, having regard only to the contributions of arm's length capital by the individual; or

(g) where the individual has attained the age of 24 years before the year, is

i. income from, or a taxable capital gain from the disposition of, excluded shares of the individual, or

ii. a reasonable return in respect of the individual;”;

(3) by inserting the following definition in alphabetical order:

““source individual”, in respect of a specified individual for a taxation year, means an individual (other than a trust) who, at any time in the year, is resident in Canada and is related to the specified individual;”;

(4) by replacing the definition of “specified individual” by the following definition:

““specified individual”, for a taxation year, means an individual (other than a trust) who meets the following conditions:

(a) the individual is resident in Canada at the end of the year or, if the individual dies in the year, is resident in Canada immediately before the death; and

(b) if the individual has not attained the age of 17 years before the year, the individual's father or mother is resident in Canada in the year;”;

(5) by inserting the following definitions in alphabetical order:

““reasonable return”, in respect of a specified individual for a taxation year, means a particular amount derived directly or indirectly from a related business in respect of the specified individual that

(a) would be an amount described in the definition of “split income” in respect of the specified individual for the year if the definition of “excluded amount” were read without reference to subparagraph ii of paragraphs *f* and *g*; and

(b) is reasonable having regard to the following factors relating to the relative contributions of the specified individual, and each source individual in respect of the specified individual, in respect of the related business:

i. the work they performed in support of the related business,

ii. the property they contributed, directly or indirectly, in support of the related business,

iii. the risks they assumed in respect of the related business,



iv. the total of all amounts that were paid or that became payable, directly or indirectly, by any person or partnership to, or for the benefit of, them in respect of the related business, and

v. such other factors as may be relevant;

““safe harbour capital return”, of a specified individual for a taxation year, means an amount that does not exceed the product obtained by multiplying the amount that is the highest of the rates that are determined in accordance with paragraph *c* of section 4301 of the Income Tax Regulations made under the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in effect for a quarter in the year by the aggregate of all amounts each of which is determined by the formula

$A \times B/C$ ”;

(6) by replacing paragraph *b* of the definition of “split income” by the following paragraph:

“(b) a portion of an amount included because of the application of paragraph *f* of section 600 in computing the individual’s income for the year, to the extent that the portion is not included in an amount described in paragraph *a* and can reasonably be considered to be income derived directly or indirectly from

i. one or more related businesses in respect of the individual for the year, or

ii. the rental of property by a partnership or trust, if a person who is related to the individual at any time in the year is actively engaged on a regular basis in the activities of the partnership or trust related to the rental of property or, in the case of a partnership, has an interest in the partnership directly or indirectly through one or more other partnerships;”;

(7) by replacing subparagraphs iii and iv of paragraph *c* of the definition of “split income” by the following subparagraphs:

“iii. to be income derived directly or indirectly from one or more related businesses in respect of the individual for the year, or

“iv. to be income derived from the rental of property by a partnership or trust, if a person who is related to the individual at any time in the year is actively engaged on a regular basis in the activities of the partnership or trust related to the rental of property;”;

(8) by adding the following paragraphs after paragraph *c* of the definition of “split income”:

“(d) an amount included in computing the individual’s income for the year to the extent that the amount is in respect of a debt obligation that

i. is of a corporation (other than a mutual fund corporation or a corporation a class of shares of the capital stock of which is listed on a designated stock exchange), partnership or trust (other than a mutual fund trust), and

ii. is not described in paragraph *a* of the definition of “fully exempt interest” in subsection 3 of section 212 of the Income Tax Act, listed or traded on a public market, or a deposit, standing to the credit of the individual,

(1) within the meaning assigned by the Canada Deposit Insurance Corporation Act (Revised Statutes of Canada, 1985, chapter 3), or

(2) with a credit union or a branch in Canada of a bank; or

“(e) an amount in respect of a property, to the extent that

i. the amount

(1) is a taxable capital gain, or a profit, of the individual for the year from the disposition after 31 December 2017 of the property, or

(2) is included under section 662 or 663 in computing the individual’s income for the year and can reasonably be considered to be attributable to a taxable capital gain, or a profit, of any person or partnership for the year from the disposition after 31 December 2017 of the property, and

ii. the property is

(1) a share of the capital stock of a corporation (other than a share of a class listed on a designated stock exchange or a share of the capital stock of a mutual fund corporation), or

(2) a property in respect of which the following conditions are met:

(a) the property is an interest in a partnership, an interest as a beneficiary under a trust (other than a mutual fund trust or a trust described in section 851.25, or a debt obligation (other than a debt obligation described in subparagraph ii of paragraph *d*), and

(b) either an amount is included, in respect of the property, in the individual’s split income for the year or an earlier taxation year, or all or any part of the fair market value of the property, immediately before the disposition referred to in subparagraph 1 or 2 of subparagraph i, is derived, directly or indirectly, from a share described in subparagraph 1.”;

(9) by adding the following paragraph at the end:

“In the formula in the definition of “safe harbour capital return” in the first paragraph,

(a) A is the fair market value of property contributed by the specified individual in support of a related business at the time it was contributed;

(b) B is the number of days in the year that the property (or property substituted for it) is used in support of the related business and has not directly or indirectly, in any manner whatever, been returned to the specified individual; and

(c) C is the number of days in the year.”

(2) Subsection 1 applies from the taxation year 2018. However, where section 766.3.3 of the Act applies to the taxation year 2018, the portion of paragraph c of the definition of “excluded shares” in the first paragraph before subparagraph i is to be read as follows:

“(c) immediately before the particular time or at the end of the taxation year 2018, the shares”.

**110.** (1) The Act is amended by inserting the following section after section 766.3.3:

“**766.3.3.1.** For the purpose of applying this division in respect of a specified individual for a taxation year, the following rules apply:

(a) an individual is deemed to be actively engaged on a regular, continuous and substantial basis in the activities of a business in a taxation year if the individual works for the business at least 20 hours per week during the portion of the year in which the business operates;

(b) where an amount would, but for this paragraph, be split income of a specified individual who has attained the age of 17 years before the taxation year in respect of a property, and that property was acquired by, or for the benefit of, the specified individual as a consequence of the death of another person, the following rules apply:

i. for the purpose of applying paragraph b of the definition of “reasonable return” in the first paragraph of section 766.3.3 and to the extent that the particular amount referred to in that paragraph is in respect of the property, the factors referred to in that paragraph in respect of the other person are to be included for the purpose of determining a reasonable return in respect of the individual,

ii. for the purposes of this subparagraph and the definition of “excluded business” in the first paragraph of section 766.3.3, where the other person was actively engaged on a regular, continuous and substantial basis in the activities of a business throughout five previous taxation years, the individual is deemed to have been actively engaged on a regular, continuous and substantial basis in the activities of the business throughout those five years, and

iii. for the purpose of applying paragraph *g* of the definition of “excluded amount” in the first paragraph of section 766.3.3 in respect of that property, the individual is deemed to have attained the age of 24 years before the year if the other person had attained the age of 24 years before the year;

(c) an amount that is a specified individual’s income for a taxation year from, or the specified individual’s taxable capital gain or profit for the year from the disposition of, a property is deemed to be an excluded amount in respect of the specified individual for the year if

i. the following conditions are met:

(1) the amount would be an excluded amount in respect of the individual’s spouse for the year, if the amount were included in computing the spouse’s income for the year, and

(2) the individual’s spouse has attained the age of 64 years before the year, or

ii. the amount would have been an excluded amount in respect of an individual who was, immediately before the individual’s death, the specified individual’s spouse, if the amount were included in computing the spouse’s income for the spouse’s last taxation year (determined as if this division applies in respect of that year);

(d) an amount derived directly or indirectly from a business includes

i. an amount that is derived from the provision of property or services to, or in support of, the business, or arises in connection with the ownership or disposition of an interest in the person or partnership carrying on the business, and

ii. an amount derived from an amount described in this paragraph; and

(e) an individual is deemed not to be related to the individual’s spouse at any time in a year if, at the end of the year, the individual is living separate and apart from the individual’s spouse because of a breakdown of their marriage.”

(2) Subsection 1 applies from the taxation year 2018.

**III.** (1) Section 766.3.5 of the Act is replaced by the following section:

**“766.3.5.** If a specified individual who has not attained the age of 17 years before a taxation year would have for the year, but for this division, a taxable capital gain (other than an excluded amount) from a disposition of shares (other than shares listed on a designated stock exchange or shares of a mutual fund corporation) that are transferred, either directly or indirectly, in any manner whatever, to a person with whom the specified individual does not deal at arm’s

length, the amount of the taxable capital gain is deemed not to be a taxable capital gain and twice the amount is deemed to be received by the specified individual in the year as a taxable dividend that is not an eligible dividend.”

(2) Subsection 1 applies from the taxation year 2018.

**112.** (1) Section 766.3.6 of the Act is replaced by the following section:

**“766.3.6.** If a specified individual who has not attained the age of 17 years before a taxation year would be, but for this division, required under section 662 or 663 to include an amount in computing the specified individual’s income for the year, to the extent that the amount can reasonably be considered to be attributable to a taxable capital gain (other than an excluded amount) of a trust from a disposition of shares (other than shares listed on a designated stock exchange or shares of a mutual fund corporation) that are transferred, either directly or indirectly, in any manner whatever, to a person with whom the specified individual does not deal at arm’s length, sections 662 and 663 do not apply in respect of the amount and twice the amount is deemed to be received by the specified individual in the year as a taxable dividend that is not an eligible dividend.”

(2) Subsection 1 applies from the taxation year 2018.

**113.** (1) Section 766.3.7 of the Act is amended by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) C is the amount by which the amount added in computing the individual’s tax otherwise payable for the year under section 766.3.4 exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount that is deductible under section 767 or sections 772.2 to 772.13 in computing the individual’s tax payable for the year and can reasonably be considered to be in respect of an amount included in computing the individual’s split income, within the meaning of section 766.3.3, for the year, and

ii. the amount deducted under section 752.0.14 in computing the individual’s tax payable for the year.”

(2) Subsection 1 applies from the taxation year 2018.

**114.** (1) Section 768 of the Act is amended

(1) by replacing the formula in subparagraph *b* of the first paragraph by the following formula:

“ $A - (B - C)$ ”;

(2) by adding the following subparagraph at the end of the second paragraph:

“(c) C is the aggregate of all amounts each of which is an amount determined under subparagraph 4 of subparagraph ii of subparagraph a in determining the value of A in the formula in subparagraph b of the first paragraph for the year.”

(2) Subsection 1 applies to a taxation year that ends after 15 September 2016.

**115.** (1) Section 771.1 of the Act is amended by inserting the following definition in alphabetical order in the first paragraph:

““adjusted aggregate investment income” of a corporation for a taxation year means the amount determined in respect of the corporation for the year under the definition of “adjusted aggregate investment income” in subsection 7 of section 125 of the Income Tax Act;”.

(2) Subsection 1 applies to a taxation year that begins after 31 December 2018.

(3) Subsection 1 also applies to a taxation year that begins before 1 January 2019 and ends after 31 December 2018 where

(1) the corporation’s preceding taxation year was, because of a transaction or event or a series of transactions or events, shorter than it would have been in the absence of that transaction, event or series of transactions or events; and

(2) one of the reasons for the transaction, event or series of transactions or events was to defer the application of subsection 1 to the corporation.

**116.** (1) Section 771.2.1.8 of the Act is amended

(1) by replacing the first paragraph by the following paragraph:

“Despite the first paragraph of section 771.2.1.3 and sections 771.2.1.4, 771.2.1.5, 771.2.1.6 and 771.2.1.7, a Canadian-controlled private corporation’s business limit for a taxation year ending in a calendar year is equal to the amount by which its business limit for the taxation year, determined without reference to this section, exceeds the greater of

(a) the amount determined by the formula

$A \times [(B - \$10,000,000)/\$5,000,000]$ ; and

(b) the amount determined by the formula

$A/\$500,000 \times 5 (C - \$50,000)$ .”;

(2) by replacing the portion of the second paragraph before subparagraph a by the following:

“In the formulas in the first paragraph;”;

(3) by adding the following subparagraph at the end of the second paragraph:

“(c) C is the total of all amounts each of which is the adjusted aggregate investment income of the corporation, or of a corporation with which it is associated at any time in the taxation year, for each taxation year of the corporation, or associated corporation, as the case may be, that ends in the preceding calendar year.”;

(4) by adding the following paragraph at the end:

“For the purposes of subparagraph *c* of the second paragraph, a particular corporation and another corporation are deemed to be associated with each other at a particular time if

(a) the particular corporation transfers or lends a property at any time, either directly or indirectly, by means of a trust or otherwise, to the other corporation;

(b) the other corporation is, at the particular time, related to the particular corporation but is not associated with it; and

(c) it may reasonably be considered that one of the reasons the transfer or loan was made was to reduce the amount determined under subparagraph *c* of the second paragraph in respect of the particular corporation, or of any corporation with which it is associated, for a taxation year.”

(2) Subsection 1 applies to a taxation year that begins after 31 December 2018.

(3) Subsection 1 also applies to a taxation year that begins before 1 January 2019 and ends after 31 December 2018 where

(1) the corporation’s preceding taxation year was, because of a transaction or event or a series of transactions or events, shorter than it would have been in the absence of that transaction, event or series of transactions or events; and

(2) one of the reasons for the transaction, event or series of transactions or events was to defer the application of subsection 1 to the corporation.

**117.** (1) Section 772.5.4 of the Act is amended by replacing paragraph *a* by the following paragraph:

“(a) sections 83.0.4, 83.0.5, 281 to 283 and 428 to 451, Chapter I of Title I.1 of Book VI, Title I.2 of Book VI, sections 832.1, 851.22.0.4 and 851.22.15, paragraph *b* of section 851.22.23 and sections 851.22.23.1, 851.22.23.2 and 999.1 do not apply to deem a disposition or acquisition of property to have been made;”.

(2) Subsection 1 applies to a taxation year that begins after 31 December 2017.

**118.** (1) Section 785.4 of the Act is amended

(1) by replacing the definition of “qualifying exchange” in the first paragraph by the following definition:

““qualifying exchange” means a transfer at any time (in this Title referred to as the “transfer time”) if

(a) the transfer is a transfer of all or substantially all of the property (including an exchange of a unit of a mutual fund trust for another unit of that trust) of

i. a mutual fund corporation (other than a SIFT wind-up corporation) to one or more mutual fund trusts, or

ii. a particular mutual fund trust to another mutual fund trust;

(b) all or substantially all of the shares issued by the mutual fund corporation referred to in subparagraph i of paragraph *a* or the particular mutual fund trust referred to in subparagraph ii of paragraph *a* (in this Title referred to as the “transferor” or the “funds”) and outstanding immediately before the transfer time are within 60 days after the transfer time disposed of to the transferor;

(c) no person disposing of shares of the transferor to the transferor within that 60-day period (otherwise than pursuant to the exercise of a statutory right of dissent) receives any consideration for the shares other than units of one or more mutual fund trusts referred to in subparagraph i of paragraph *a* or the other mutual fund trust referred to in subparagraph ii of paragraph *a* (in this Title referred to as the “transferee” or the “funds”);

(d) if property of the transferor has been transferred to more than one transferee,

i. all shares of each class of shares, that is recognized under securities legislation as or as part of an investment fund, of the transferor are disposed of to the transferor within 60 days after the transfer time, and

ii. the units received in consideration for a share of a class of shares, that is recognized under securities legislation as or as part of an investment fund, of the transferor are units of the transferee to which all or substantially all of the assets that were allocated to that investment fund immediately before the transfer time were transferred; and

(e) the funds make a valid election under paragraph *e* of the definition of “qualifying exchange” in subsection 1 of section 132.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the transfer;”;



(2) by replacing “paragraph *c*” in the second paragraph by “paragraph *e*”.

(2) Subsection 1 applies in respect of a transfer that occurs after 21 March 2017.

**119.** (1) Section 785.5 of the Act is amended

(1) by replacing the portion of paragraph *a* before subparagraph i by the following:

“(a) each property of a fund (other than property disposed of by the transferor to a transferee at the transfer time and depreciable property) is deemed to have been disposed of, and to have been reacquired by the fund, at the first intervening time, for an amount equal to the lesser of”;

(2) by inserting the following paragraph after paragraph *a*:

“(a.1) in respect of each property transferred by the transferor to a transferee, including an exchange of a unit of a transferee for another unit of that transferee, the transferor is deemed to have disposed of the property to the transferee, and to have received units of the transferee as consideration for the disposition of the property, at the transfer time;”;

(3) by replacing the portion of paragraph *e* before subparagraph i by the following:

“(e) the transferor’s cost of particular property received by the transferor from a transferee as consideration for the disposition of property is deemed to be”;

(4) by replacing paragraph *f* by the following paragraph:

“(f) the transferor’s proceeds of disposition of any units of a transferee that were disposed of by the transferor at a particular time that is within 60 days after the transfer time in exchange for shares of the transferor are deemed to be equal to the cost amount of the units to the transferor immediately before the particular time;”;

(5) by replacing the portion of paragraph *g* before subparagraph i by the following:

“(g) where, at a particular time that is within 60 days after the transfer time, a taxpayer disposes of shares of the transferor to the transferor in exchange for units of a transferee,”;

(6) by replacing the portion of subparagraph iv of paragraph *g* before subparagraph 1 by the following:

“iv. where the taxpayer is at the particular time affiliated with the transferor or the transferee, those units are deemed not to be identical to the other units of the transferee, and”;

(7) by replacing paragraphs *h* and *i* by the following paragraphs:

“(h) where a share to which paragraph *g* applies would, but for this paragraph, cease to be a qualified investment (within the meaning assigned by subsection 1 of any of sections 146, 146.1, 146.3, 146.4 and 207.01 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or by section 204 of that Act) because of the qualifying exchange, the share is deemed to be a qualified investment until the earlier of the day that is 60 days after the day that includes the transfer time and the time at which it is disposed of in accordance with paragraph *g*;

“(i) no amount in respect of a non-capital loss, net capital loss, restricted farm loss, farm loss or limited partnership loss of a fund for a taxation year that begins before the transfer time is deductible in computing the taxable income of the funds for a taxation year that begins after the transfer time;”;

(8) by striking out subparagraph ii of paragraph *k*;

(9) by adding the following subparagraph at the end of paragraph *k*:

“iii. for the purposes of section 1116, a dividend that becomes payable at a particular time after the acquisition time but within the 60-day period commencing immediately after the transfer time, and is paid before the end of that period, by the transferor to taxpayers that held shares of a class of shares of the capital stock of the transferor, that was recognized under securities legislation as or as part of an investment fund, immediately before the transfer time is deemed to have become payable at the first intervening time if the transferor made a valid election under subparagraph iii of paragraph *l* of subsection 3 of section 132.2 of the Income Tax Act in respect of the full amount of the dividend; and”;

(10) by replacing paragraph *l* by the following paragraph:

“(l) subject to subparagraph i of paragraph *k*, the transferor is, despite sections 1117, 1117.0.1 and 1120, deemed to be neither a mutual fund corporation nor a mutual fund trust for a taxation year that begins after the transfer time.”

(2) Paragraphs 1 to 6 of subsection 1, paragraph 7 of subsection 1, except where it replaces paragraph *h* of section 785.5 of the Act, and paragraphs 9 and 10 of subsection 1 apply in respect of a transfer that occurs after 21 March 2017.

(3) Paragraph 7 of subsection 1, where it replaces paragraph *h* of section 785.5 of the Act, has effect from 23 March 2017.

**120.** (1) Section 785.5.1 of the Act is amended by adding the following paragraph at the end:

“(c) where the property is a unit of the transferee and the unit ceases to exist at the time when the transferee acquires it, such time being that when the transferee would but for that cessation have acquired it, paragraphs *a* and *b* do not apply in respect of the transferee.”

(2) Subsection 1 applies in respect of a transfer that occurs after 21 March 2017.

**121.** (1) Section 785.6 of the Act is amended by replacing subparagraph 2 of subparagraph ii of subparagraph *b* of the first paragraph by the following subparagraph:

“(2) the amount that the transferor and the transferee agree on jointly in respect of the property in the prescribed form relating to the qualifying exchange filed pursuant to the second paragraph of section 785.4, and”.

(2) Subsection 1 applies in respect of a transfer that occurs after 21 March 2017.

**122.** (1) Section 832.6 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) for the purposes of paragraphs *d*, *d.1* and *e* of section 87, sections 818 and 825 and paragraph *a* of section 844, the insurer is deemed to have carried on the insurance business in Canada in the preceding taxation year referred to in paragraph *a* and to have deducted, in computing its income for that year, the maximum amounts to which it would have been entitled under sections 140, 140.1 and 140.2, the second paragraph of section 152 and paragraphs *a* and *a.1* of section 840;”.

(2) Subsection 1 applies to a taxation year that begins after 21 March 2017.

**123.** (1) Section 835 of the Act is amended by adding the following subparagraphs at the end of the first paragraph:

“(r) “insurance”, of a risk, includes the reinsurance of the risk;

“(s) “designated foreign insurance business”, of a life insurer resident in Canada in a taxation year, means an insurance business that is carried on by the life insurer in a country other than Canada in the year unless more than 90% of the gross revenue from the business for the year from the insurance of risks (except risks ceded to a reinsurer) is in respect of the insurance of risks (other than specified Canadian risks) of persons with whom the life insurer deals at arm’s length;

“(t) “specified Canadian risk” has the meaning assigned by paragraph *a.23* of subsection 2 of section 95 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).”

(2) Subsection 1 applies to a taxation year that begins after 21 March 2017.

**124.** (1) The Act is amended by inserting the following division after section 838:

**“DIVISION I.1**

**“DESIGNATED FOREIGN INSURANCE BUSINESS**

**“838.1.** The following rules apply in respect of a life insurer resident in Canada that has a designated foreign insurance business in a particular taxation year:

(a) for the purpose of computing the insurer’s income or loss from carrying on an insurance business in Canada for the particular taxation year, the insurer’s insurance business carried on in Canada is deemed to include the insurance of the specified Canadian risks that are insured as part of the designated foreign insurance business;

(b) for the purposes of paragraphs *d* to *e* of section 87, sections 818 and 825 and paragraph *a* of section 844, if, in the taxation year immediately preceding the particular taxation year, the designated foreign insurance business was not a designated foreign insurance business, the life insurer is deemed to have carried on the business in Canada in that preceding taxation year and to have deducted, in computing its income for that year, the maximum amounts to which it would have been entitled under sections 140, 140.1 and 140.2, the second paragraph of section 152 and paragraphs *a* and *a.1* of section 840 in respect of the specified Canadian risks referred to in paragraph *a* if the designated foreign insurance business had been a designated foreign insurance business in that preceding taxation year; and

(c) for the purposes of section 157.6.1 and paragraph *a.2* of section 840,

i. the insurer is deemed to have carried on the business in Canada in the taxation year immediately preceding the particular taxation year, and

ii. the amounts that would have been prescribed in respect of the insurer for the purposes of paragraph *e.1* of section 87 and paragraph *a.1* of section 844 for that preceding year in respect of the insurance policies in respect of the specified Canadian risks referred to in paragraph *a* are deemed to have been included in computing its income for that preceding year.

**“838.2.** For the purposes of Chapter II and this chapter, one or more risks insured by a life insurer resident in Canada, as part of an insurance business it carries on in a country other than Canada, that, but for this section, would not be specified Canadian risks, are deemed to be specified Canadian risks if those risks would be deemed to be specified Canadian risks under paragraph *a.21* of subsection 2 of section 95 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) if the insurer were a foreign affiliate of a taxpayer.

**“838.3.** The rules set out in the second paragraph apply in respect of one or more arrangements or agreements if

(*a*) one or more risks insured by a particular life insurer resident in Canada are deemed, under section 838.2, to be specified Canadian risks; and

(*b*) those arrangements or agreements are in respect of risks described in subparagraph *a* and have been entered into by any of the following (in the second paragraph referred to as an “agreeing party”):

- i. the particular life insurer,
- ii. another life insurer resident in Canada that does not deal at arm’s length with the particular life insurer, and
- iii. a partnership of which an insurer described in subparagraph i or ii is a member.

The rules to which the first paragraph refers, in respect of one or more arrangements or agreements, are as follows:

(*a*) to the extent that activities performed in connection with those arrangements or agreements can reasonably be considered to be performed for the purpose of obtaining the result described in subparagraph ii of paragraph *a.21* of subsection 2 of section 95 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), with the necessary modifications, those activities are deemed to be performed in connection with the insurance business that the life insurer referred to in subparagraph i or ii of subparagraph *b* of the first paragraph, as the case may be, carries on in Canada; and

(*b*) if the agreeing party is a life insurer resident in Canada, any income from the activities referred to in subparagraph *a* (including income that pertains to or is incident to those activities) is deemed to be income from carrying on the life insurer’s insurance business in Canada.

**“838.4.** A life insurer that is resident in Canada for a taxation year must include, in computing its income or loss from carrying on its insurance business in Canada for the year, the amount it is required to include for the year in that computation, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), under subsection 2.5 of section 138 of that Act, except to the extent that that amount is already included in computing its income or loss from carrying on its insurance business in Canada under any of sections 838.1 to 838.3.

**“838.5.** For the purposes of Chapter II and this chapter, the following rules apply:

(a) a risk is deemed to be a specified Canadian risk that is insured as part of the carrying on of an insurance business in Canada by a particular life insurer resident in Canada if

i. the particular life insurer insured the risk as part of a transaction or series of transactions,

ii. the risk would not be a specified Canadian risk if this Act were read without reference to this section, and

iii. it can reasonably be concluded that one of the purposes of the transaction or series of transactions was to avoid

(1) having a designated foreign insurance business, or

(2) the application of any of sections 838.1 to 838.4 in respect of the risk; and

(b) if one or more arrangements or agreements in respect of the risk referred to in paragraph *a* have been entered into by any of the persons or partnerships described in subparagraphs i to iii of subparagraph *b* of the first paragraph of section 838.3 (in this paragraph referred to as an “agreeing party”), the following rules apply:

i. any activities performed in connection with those arrangements or agreements are deemed to be performed in connection with the insurance business that the life insurer referred to in subparagraph i or ii of that subparagraph *b*, as the case may be, carries on in Canada, and

ii. if the agreeing party is a life insurer resident in Canada, any income from the activities referred to in subparagraph i (including income that pertains to or is incident to those activities) is deemed to be income from carrying on the life insurer’s insurance business in Canada.”

(2) Subsection 1 applies to a taxation year that begins after 21 March 2017.

**125.** Section 844.3 of the Act is replaced by the following section:

**“844.3.** Where, for a period of time in a taxation year, a life insurer owned land described in any of subparagraphs *a*, *c* and *d* of the second paragraph or a right therein or had a right in a building described in subparagraph *b* of that paragraph, the life insurer shall, where the land, building or right was designated insurance property of the insurer for the year, or property used or held by it in the year in the course of carrying on an insurance business in Canada, include in computing its income for the year the aggregate of all amounts each of which is the amount prescribed in respect of the cost or capital cost to it, as the case may be, of the land, building or right for the period, and the amount prescribed must, at the end of the period, be included in computing

(*a*) the cost to the insurer of the land or right therein, where such land or right is property described in subparagraph *a* of the second paragraph; or

(*b*) the capital cost to the insurer of the right in the building described in subparagraph *b* of the second paragraph, where the land, building or right therein is property described in any of subparagraphs *b* to *d* of that paragraph.

The land, right in land or right in a building to which the first paragraph refers is, as the case may be,

(*a*) land, other than land described in subparagraph *c* or *d* or a right therein that was not held primarily for the purpose of gaining or producing income from the land for the period referred to in the first paragraph;

(*b*) a right in a building that was being constructed, renovated or altered;

(*c*) land subjacent to the building described in subparagraph *b* or a right in such land; or

(*d*) land contiguous to the land described in subparagraph *c*, or a right in such contiguous land that was used or was intended to be used for a parking area, driveway, yard, garden or other use necessary for the use or intended use of the building described in subparagraph *b*.”

**126.** (1) Section 851.3 of the Act is replaced by the following section:

**“851.3.** For the purposes of paragraph *a* of section 657 and sections 652 and 663, the taxable income of a segregated fund trust for a taxation year is deemed to be an amount that has become payable in the year to the beneficiaries under the trust and the amount payable to each beneficiary is equal to the amount determined in conformity with the terms and conditions of the segregated fund policy relating to the trust.”

(2) Subsection 1 applies to a taxation year that begins after 31 December 2017.

**127.** (1) The Act is amended by inserting the following section after section 851.3:

**“851.3.1.** For the purpose of computing the taxable income of a segregated fund trust for a taxation year that begins after 31 December 2017, a non-capital loss of the trust incurred in a taxation year that begins before 1 January 2018 is deemed to be nil.”

(2) Subsection 1 has effect from 14 December 2017.

**128.** (1) The Act is amended by inserting the following division after section 851.22:

**“DIVISION V**

**“REORGANIZATION OF SEGREGATED FUND TRUSTS**

**“851.22.0.1.** In this division, “qualifying transfer” means a transfer at any time (in this division referred to as the “transfer time”) of all of the property that, immediately before the transfer time, was property of a segregated fund trust (in this division referred to as the “transferor” or the “funds”) to another segregated fund trust (in this division referred to as the “transferee” or the “funds”), if

(a) every person (in this division referred to as a “beneficiary”) that, immediately before the transfer time, had an interest in the transferor has ceased to be a beneficiary of the transferor at the transfer time and has received no consideration for the interest other than an interest in the transferee; and

(b) the trustee of the funds makes a valid election under paragraph *d* of subsection 1 of section 138.2 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the transfer.

Chapter V.2 of Title II of Book I applies in relation to an election made under paragraph *d* of subsection 1 of section 138.2 of the Income Tax Act.

**“851.22.0.2.** The following rules apply in respect of a qualifying transfer:

(a) the last taxation year of the funds that began before the transfer time is deemed to have ended at the transfer time and a new taxation year of the transferee is deemed to have begun immediately after the transfer time;

(b) no amount in respect of a non-capital loss, net capital loss, restricted farm loss, farm loss or limited partnership loss of a fund for a taxation year that began before the transfer time is deductible in computing the taxable income of any of the funds for a taxation year that begins after the transfer time;



(c) each beneficiary's interest in the transferor is deemed to have been disposed of at the transfer time for proceeds of disposition, and each beneficiary's interest in the transferee received in the qualifying transfer is deemed to have been acquired at a cost, equal to the cost amount to the beneficiary of the interest in the transferor immediately before the transfer time;

(d) any amount determined under sections 851.17 and 851.18 in respect of a policyholder's interest in the transferor is deemed

i. to have been charged, transferred or paid in respect of the policyholder's interest in the transferee that is acquired on the qualifying transfer, and

ii. to not have been charged, transferred or paid in respect of the policyholder's interest in the transferor; and

(e) sections 851.20 to 851.22 do not apply in respect of any disposition of an interest in the transferor arising on the qualifying transfer.

**“851.22.0.3.** Where a transferor transfers a property to a transferee on a qualifying transfer, each property of the transferor held immediately before the transfer time is deemed to have been disposed of by the transferor immediately before the transfer time for proceeds of disposition equal to the lesser of the following amounts and acquired by the transferee at the transfer time at a cost equal to that amount:

(a) the fair market value of the property immediately before the transfer time; and

(b) the greater of

i. the cost amount of the property to the transferor immediately before the transfer time, and

ii. the amount that is designated in respect of the property in the election referred to in subparagraph *b* of the first paragraph of section 851.22.0.1 in respect of the qualifying transfer.

**“851.22.0.4.** Where a transferor transfers a property to a transferee on a qualifying transfer, each property of the transferee held immediately before the transfer time is deemed to have been disposed of by the transferee immediately before the transfer time for proceeds of disposition equal to the lesser of the following amounts and acquired again by the transferee at the transfer time at a cost equal to that amount:

(a) the fair market value of the property immediately before the transfer time; and

(b) the greater of

i. the cost amount of the property to the transferee immediately before the transfer time, and

ii. the amount that is designated in respect of the property in the election referred to in subparagraph *b* of the first paragraph of section 851.22.0.1 in respect of the qualifying transfer.

**“851.22.0.5.** Section 851.16 does not apply to capital losses of a fund from the disposition, under sections 851.22.0.3 and 851.22.0.4, of property on a qualifying transfer to the extent that the amount of such capital losses exceeds the amount of capital gains of the fund from the disposition of such property.”

(2) Subsection 1 has effect from 1 January 2018. However, for the application of section 21.4.7 of the Act to an election referred to in subparagraph *b* of the first paragraph of section 851.22.0.1 of the Act and made before 24 September 2020, an elector is deemed to have complied with a requirement of section 21.4.6 of the Act if the elector complies with it on or before 23 March 2021.

**129.** (1) The Act is amended by inserting the following section after section 851.22.16:

**“851.22.16.1.** Where a taxpayer is a financial institution in a taxation year and disposes of a share that is mark-to-market property of the taxpayer for the year, the taxpayer’s proceeds of disposition do not include any amount that would otherwise be proceeds of disposition to the extent that the amount is deemed under section 508 to be a dividend received except to the extent that the dividend is deemed under subparagraph *b* of section 568 not to be a dividend.”

(2) Subsection 1 applies in respect of a disposition that occurs after 26 February 2018.

**130.** (1) Section 890.15 of the Act is amended by striking out “or organization” in paragraph *b* of the definition of “education savings plan”.

(2) Subsection 1 has effect from 23 March 2017.

**131.** (1) Section 898.1.1 of the Act is amended by striking out paragraphs *a* and *b*.

(2) Subsection 1 applies in respect of

(1) an investment acquired after 22 March 2017; and

(2) an investment acquired before 23 March 2017 that ceases to be a qualified investment after 22 March 2017.

**132.** (1) The Act is amended by inserting the following sections after section 901:

“**901.1.** Where a trust governed by a registered education savings plan holds, in a taxation year, a property that is not a qualified investment for the trust, the trust shall, despite section 901, pay tax under this Part on the amount that would be its taxable income for the year if the trust had no income or losses from sources other than properties that are not such qualified investments for the trust, and no capital gains or capital losses other than from the disposition of such properties.

“**901.2.** For the purposes of section 901.1, the following rules apply:

(a) a trust’s income includes dividends described in sections 501 to 503;

(b) the first paragraph of section 231 must be construed as if the taxable capital gain or allowable capital loss were the total capital gain or the total capital loss, as the case may be, from the disposition of a property; and

(c) the trust’s income is computed without reference to paragraph *a* of section 657 and section 657.1.”

(2) Subsection 1 applies in respect of

(1) an investment acquired after 22 March 2017; and

(2) an investment acquired before 23 March 2017 that ceases to be a qualified investment after 22 March 2017.

**133.** (1) Section 904 of the Act is replaced by the following section:

“**904.** An individual shall include in computing the individual’s income for a taxation year any educational assistance payment paid out of a registered education savings plan to or for the individual in the year that exceeds the total of all excluded amounts in relation to a plan and the individual for the year.”

(2) Subsection 1 has effect from 23 March 2017.

**134.** (1) Section 904.1 of the Act is amended

(1) by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) any accumulated income payment (other than an accumulated income payment made under section 894.1) received in the year by the taxpayer under a registered education savings plan that exceeds the total of all excluded amounts in relation to a plan and the individual for the year; and”;

(2) by inserting the following paragraph after the first paragraph:

“For the purposes of section 904 and subparagraph *a* of the first paragraph, an excluded amount in relation to a registered education savings plan is an amount in respect of which a subscriber pays a tax under section 207.05 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in relation to the plan, or another plan for which the plan was substituted by the subscriber, that

(*a*) has not been waived, cancelled or refunded; and

(*b*) has not reduced any other amount that would otherwise be included in computing an individual’s income for the year or a preceding year under the first paragraph or section 904.”

(2) Subsection 1 has effect from 23 March 2017.

**135.** (1) Section 905.0.3 of the Act is amended

(1) by replacing “2019” in subparagraph ii.1 of paragraph *a* of the definition of “disability savings plan” in the first paragraph by “2024”;

(2) by replacing “section 205” in subparagraph *a* of the second paragraph and subparagraph i of subparagraph *b* of that paragraph by “section 146.4”.

(2) Paragraph 1 of subsection 1 has effect from 21 June 2018.

(3) Paragraph 2 of subsection 1 has effect from 23 March 2017.

**136.** (1) Section 905.0.6 of the Act is amended

(1) by replacing subparagraph i of subparagraph *f* of the first paragraph by the following subparagraph:

“i. the beneficiary is not an individual eligible for the tax credit for severe and prolonged impairment in mental or physical functions for the taxation year that includes that time, unless the contribution is a specified RDSP payment within the meaning of subsection 1 of section 60.02 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in respect of the beneficiary and, at that time, a valid election is made under subsection 4.1 of section 146.4 of that Act in respect of the beneficiary, or”;

(2) by replacing “section 205” in subparagraph *a* of the second paragraph and subparagraph i of subparagraph *d* of that paragraph by “section 146.4”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 2014.

(3) Paragraph 2 of subsection 1 has effect from 23 March 2017.

**137.** (1) Section 905.0.12 of the Act is amended by replacing “for the purposes of paragraph *b* of subsection 5” by “by subsection 1”.

(2) Subsection 1 has effect from 23 March 2017.

**138.** (1) Section 905.0.15 of the Act is amended

(1) by replacing the formula in the first paragraph by the following formula:

“ $A \times B/C + D$ ”;

(2) by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(b) B is the amount by which the aggregate of all amounts each of which is the amount of a contribution made before the particular time to any registered disability savings plan of the beneficiary exceeds the aggregate of all amounts each of which would be the non-taxable portion of a disability assistance payment made before the particular time under any registered disability savings plan of the beneficiary if the formula in the first paragraph were read without reference to D;”;

(3) by adding the following subparagraph at the end of the second paragraph:

“(d) D is an amount in respect of which a holder of the plan pays a tax under section 207.05 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in relation to the plan, or another plan for which the plan was substituted by the holder, that

i. has not been waived, cancelled or refunded, and

ii. has not otherwise been used in the year or a preceding year in computing the non-taxable portion of a disability assistance payment made under the plan or another plan for which the plan was substituted.”

(2) Subsection 1 has effect from 23 March 2017.

**139.** (1) Section 905.0.21 of the Act is amended by striking out subparagraph *d* of the first paragraph.

(2) Subsection 1 has effect from 23 March 2017.

**140.** Section 935.27 of the Act is amended by replacing paragraph *c* by the following paragraph:

“(c) each person who has a right in the separate annuity contract at the particular time is deemed to acquire the right at the particular time at a cost equal to its fair market value at the particular time.”

**141.** Section 935.28 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) each person who has a right in the deposit at the particular time is deemed to acquire the right at the particular time at a cost equal to its fair market value at the particular time.”

**142.** Section 998 of the Act is amended by replacing subparagraphs 1 to 3 of subparagraph ii of paragraph *c.2* by the following subparagraphs:

“(1) limited its activities to acquiring, holding, maintaining, improving, leasing or managing capital property that is immovable property, or real rights in such property, owned by the corporation, a registered pension plan or another corporation described in this paragraph, other than a corporation without share capital, and investing its funds in a partnership that limits its activities to acquiring, holding, maintaining, improving, leasing or managing capital property that is immovable property, or real rights in such property, owned by the partnership,

“(2) borrowed money solely for the purpose of earning income from immovable property or a real right in such property, and

“(3) made no investments other than investments in immovable property, or a real right in such property, or investments that a pension plan is permitted to make under the Pension Benefits Standards Act, 1985 (Revised Statutes of Canada, 1985, chapter 32, 2nd Supplement) or a similar law of a province.”

**143.** (1) Section 1029.6.0.0.1 of the Act is amended by replacing “II.6.5.6, II.6.5.7” in the portion of the second paragraph before subparagraph *a* and in subparagraph *b* of that paragraph by “II.6.5.6 to II.6.5.8”.

(2) Subsection 1 applies from the taxation year 2019.

**144.** (1) Section 1029.8.33.12 of the Act is amended by adding the following paragraphs at the end of the definition of “qualified expenditure”:

“(e) an indemnity in respect of the fulfilment of family obligations mentioned in section 79.7 of the Act respecting labour standards or the compensation, in lieu of that indemnity, provided for in a contract of employment and paid to an eligible employee of the eligible taxpayer in respect of the taxation year or of the qualified partnership in respect of the fiscal period, as the case may be; and

“(f) an indemnity in respect of health reasons mentioned in section 79.1 of the Act respecting labour standards or the compensation, in lieu of that indemnity, provided for in a contract of employment and paid to an eligible employee of the eligible taxpayer in respect of the taxation year or of the qualified partnership in respect of the fiscal period, as the case may be;”.

(2) Subsection 1 applies in respect of an indemnity paid after 31 December 2018.

**145.** (1) Section 1029.8.33.13 of the Act is amended by adding the following subparagraphs at the end of the third paragraph:

“(h) the aggregate of the indemnities pertaining to an absence from work to fulfil family obligations referred to in section 79.7 of the Act respecting labour standards and in the second paragraph of section 79.16 of that Act or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the taxation year by the eligible employees of the eligible taxpayer in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees; and

“(i) the aggregate of the indemnities pertaining to an absence from work for health reasons referred to in section 79.1 of the Act respecting labour standards and in the second paragraph of section 79.16 of that Act or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the taxation year by the eligible employees of the eligible taxpayer in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees.”

(2) Subsection 1 applies in respect of an indemnity paid after 31 December 2018.

**146.** (1) Section 1029.8.33.14 of the Act is amended by adding the following subparagraphs at the end of the fourth paragraph:

“(h) the aggregate of the indemnities pertaining to an absence from work to fulfil family obligations referred to in section 79.7 of the Act respecting labour standards and in the second paragraph of section 79.16 of that Act or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the fiscal period by the eligible employees of the qualified partnership in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees; and

“(i) the aggregate of the indemnities pertaining to an absence from work for health reasons referred to in section 79.1 of the Act respecting labour standards and in the second paragraph of section 79.16 of that Act or of the compensations, in lieu of those indemnities, provided for in a contract of employment, as the case may be, received in the fiscal period by the eligible employees of the qualified partnership in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees.”

(2) Subsection 1 applies in respect of an indemnity paid after 31 December 2018.

**147.** (1) The Act is amended by inserting the following division after section 1029.8.36.59.48:

**“DIVISION II.6.5.8**

**“CREDIT TO FOSTER THE RETENTION OF EXPERIENCED WORKERS**

“§1. — *Interpretation*

**“1029.8.36.59.49.** In this division,

“eligible contribution” of a qualified corporation or a qualified partnership, in respect of a calendar year and in relation to an employee, means an amount that the qualified corporation or the qualified partnership, as the case may be, paid, for that calendar year and in relation to that employee, under the Act respecting industrial accidents and occupational diseases (chapter A-3.001) or under

(a) section 59 of the Act respecting parental insurance (chapter A-29.011);

(b) section 39.0.2 of the Act respecting labour standards (chapter N-1.1);

(c) section 34 of the Act respecting the Régie de l’assurance maladie du Québec (chapter R-5); or

(d) section 52 of the Act respecting the Québec Pension Plan (chapter R-9);

“eligible employee” of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period means an employee of the corporation or partnership at a time in the calendar year that ends in the taxation year or the fiscal period, as the case may be, who is at least 65 years of age on 1 January of that calendar year, other than an excluded employee at any time in that calendar year;



“excluded corporation” for a taxation year means a corporation that

(a) is exempt from tax for the year under Book VIII; or

(b) would be exempt from tax for the year under section 985, but for section 192;

“excluded employee” of a corporation or a partnership at a particular time means

(a) where the employer is a corporation, an employee who is, at that time, a specified shareholder of the corporation or, where the corporation is a cooperative, a specified member of the corporation; or

(b) where the employer is a partnership, an employee who

i. is, at that time, a specified shareholder or specified member, as the case may be, of a member of the partnership, or

ii. is not, at that time, dealing at arm’s length with a member of the partnership, or with a specified shareholder or specified member, as the case may be, of that member;

“primary and manufacturing sectors corporation” for a taxation year has the meaning assigned by the first paragraph of section 771.1;

“qualified corporation” for a taxation year means a corporation, other than an excluded corporation for the year, that, in the year, carries on a business in Québec and has an establishment in Québec, whose paid-up capital attributed to the corporation for the year, determined in accordance with section 737.18.24, is less than \$15,000,000 and, unless the corporation is a primary and manufacturing sectors corporation for the year, that is referred to in section 771.2.1.2.1 for the year;

“qualified expenditure” of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period, in relation to an eligible employee, means, subject to section 1029.8.36.59.51, the aggregate of all amounts each of which is an eligible contribution of the qualified corporation or the qualified partnership, as the case may be, in respect of a calendar year subsequent to the calendar year 2018 that ends in the taxation year or the fiscal period, as the case may be, in relation to the salary, wages or other remuneration that the corporation or the partnership paid, allocated, granted, awarded or attributed to the eligible employee in the calendar year, other than a salary, wages or other remuneration in respect of which no contribution is payable by the qualified corporation or the qualified partnership under section 34 of the Act respecting the Régie de l’assurance maladie du Québec, because of subparagraph *d.1* of the seventh paragraph of that section 34;

“qualified partnership” for a fiscal period means a partnership that, in the fiscal period, carries on a business in Québec, has an establishment in Québec and meets the following conditions:

(a) if the partnership were a corporation whose taxation year corresponds to its fiscal period, the paid-up capital that would be attributed to the partnership for the year in accordance with section 737.18.24 is less than \$15,000,000; and

(b) the number of remunerated hours of the partnership’s employees for the fiscal period, determined as if the partnership were referred to in section 771.2.1.2.2 for the fiscal period, exceeds 5,000, except where the partnership would be a primary and manufacturing sectors corporation for the year if it were a corporation whose taxation year corresponds to its fiscal period;

“specified employee” of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period means an employee of the corporation or partnership at a time in the calendar year that ends in the taxation year or the fiscal period, as the case may be, who is at least 60 years of age and at most 64 years of age on 1 January of that calendar year, other than an excluded employee at any time in that calendar year;

“specified expenditure” of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period, in relation to a specified employee, means, subject to section 1029.8.36.59.51, the aggregate of all amounts each of which is an eligible contribution of the qualified corporation or the qualified partnership, as the case may be, in respect of a calendar year subsequent to the calendar year 2018 that ends in the taxation year or the fiscal period, as the case may be, in relation to the salary, wages or other remuneration that the corporation or the partnership paid, allocated, granted, awarded or attributed to the specified employee in the calendar year, other than a salary, wages or other remuneration in respect of which no contribution is payable by the qualified corporation or the qualified partnership under section 34 of the Act respecting the Régie de l’assurance maladie du Québec, because of subparagraph *d.1* of the seventh paragraph of that section 34;

“specified member” of a corporation that is a cooperative at any time means

(a) a member having, directly or indirectly, at that time, at least 10% of the votes at a meeting of the members of the cooperative; or

(b) a person who is not, at that time, dealing at arm’s length with that member;

“total payroll” of a corporation or a partnership for a calendar year means its total payroll determined for the year in accordance with Division I of Chapter IV of the Act respecting the Régie de l’assurance maladie du Québec;

“total payroll threshold” of a corporation or a partnership for a calendar year means the total payroll threshold of the corporation or partnership, as the case may be, determined for the year in accordance with Division I of Chapter IV of the Act respecting the Régie de l’assurance maladie du Québec.

“§2. — *Credit*

**“1029.8.36.59.50.** A qualified corporation for a taxation year that encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000 is deemed, subject to the fifth paragraph, to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of

(a) the product obtained by multiplying the aggregate of all amounts each of which is the amount of its qualified expenditure for the year, in relation to an eligible employee of the corporation for the year, by the corporation’s eligible rate for the year;

(b) the product obtained by multiplying the aggregate of all amounts each of which is the amount of its specified expenditure for the year, in relation to a specified employee of the corporation for the year, by the corporation’s specified rate for the year; and

(c) where the qualified corporation is a member of a qualified partnership at the end of a fiscal period of the partnership that ends in the taxation year, the aggregate of

i. the product obtained by multiplying the aggregate of all amounts each of which is its share, for the fiscal period, of the qualified partnership’s qualified expenditure for the fiscal period, in relation to an eligible employee of the partnership for the fiscal period, by the partnership’s eligible rate for the fiscal period, and

ii. the product obtained by multiplying the aggregate of all amounts each of which is its share, for the fiscal period, of the qualified partnership’s specified expenditure for the fiscal period, in relation to a specified employee of the partnership for the fiscal period, by the partnership’s specified rate for the fiscal period.

The eligible rate of a corporation or partnership to which subparagraph *a* of the first paragraph and subparagraph *i* of subparagraph *c* of that paragraph refer, for a taxation year of the corporation or a fiscal period of the partnership, as the case may be, is determined by the formula

$$75\% - (75\% \times A/B).$$

The specified rate of a corporation or partnership to which subparagraph *b* of the first paragraph and subparagraph ii of subparagraph *c* of that paragraph refer, for a taxation year of the corporation or a fiscal period of the partnership, as the case may be, is determined by the formula

$$50\% - (50\% \times A/B).$$

In the formulas in the second and third paragraphs,

(*a*) *A* is the amount by which \$1,000,000 is exceeded by the lesser of the total payroll of the qualified corporation for the calendar year that ended in the taxation year or of the qualified partnership for the calendar year that ended in the fiscal period, as the case may be, and the total payroll threshold of the qualified corporation or the qualified partnership for that calendar year; and

(*b*) *B* is the amount by which \$1,000,000 is exceeded by the total payroll threshold of the qualified corporation for the calendar year that ended in the taxation year or of the qualified partnership for the calendar year that ended in the fiscal period, as the case may be.

For the purpose of computing the payments that a qualified corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of the corporation's tax payable for the year under this Part and of the corporation's tax payable for the year under Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(*a*) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(*b*) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

For the purposes of this section, the share of a member of a partnership of an amount for a fiscal period is equal to the agreed proportion of the amount in respect of the member for the fiscal period.

**“1029.8.36.59.51.** For the purposes of this division and subject to the second and third paragraphs, the following rules apply:

(*a*) the qualified expenditure of a qualified corporation or of a qualified partnership for a taxation year of the corporation or a fiscal period of the partnership, in relation to an eligible employee and in respect of a calendar

year, may not exceed the quotient obtained by dividing \$1,875 by the eligible rate of the corporation for the taxation year or of the partnership for the fiscal period, as the case may be; and

(b) the specified expenditure of a qualified corporation or of a qualified partnership for a taxation year of the corporation or a fiscal period of the partnership, in relation to a specified employee and in respect of a calendar year, may not exceed the quotient obtained by dividing \$1,250 by the specified rate of the corporation for the taxation year or of the partnership for the fiscal period, as the case may be.

For the purpose of determining the qualified expenditure or the specified expenditure of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period, where, at the end of a calendar year that ends in the taxation year or fiscal period, as the case may be, the qualified corporation or qualified partnership is a member of an associated group and more than one member of the group (each of whom being referred to in this section as a “particular member”) paid, in a calendar year, an amount on account of a salary, wages or other remuneration to the same employee who is, for each of the particular members, an eligible employee or a specified employee for the taxation year or fiscal period, as the case may be, of the particular member in which the calendar year ended, the qualified expenditure or the specified expenditure of the qualified corporation for the year or of the qualified partnership for the fiscal period, in relation to the employee, is, subject to the third paragraph, equal to zero.

Despite the second paragraph, where the particular members have filed with the Minister, in the prescribed form, an agreement whereby, for the purposes of this division, they allocate an amount to one or more of them as a qualified expenditure or specified expenditure for the taxation year or fiscal period, as the case may be, in relation to the same eligible employee or specified employee, the following rules apply:

(a) the amount of the qualified expenditure of the qualified corporation for the taxation year or of the qualified partnership for the fiscal period, as the case may be, in relation to that eligible employee, is deemed to be equal, where the product obtained by multiplying the aggregate of all amounts each of which is the amount so allocated to a particular member, in relation to the eligible employee, by the eligible rate of the qualified corporation for the taxation year or of the qualified partnership for the fiscal period, as the case may be, does not exceed \$1,875, to the amount so allocated to the corporation for the year or to the partnership for the fiscal period; and

(b) the amount of the specified expenditure of the qualified corporation for the taxation year or of the qualified partnership for the fiscal period, as the case may be, in relation to the specified employee, is deemed to be equal, where the product obtained by multiplying the aggregate of all amounts each of which is the amount so allocated to a particular member, in relation to the specified employee, by the specified rate of the qualified corporation for the taxation

year or of the qualified partnership for the fiscal period, as the case may be, does not exceed \$1,250, to the amount so allocated to the corporation for the year or to the partnership for the fiscal period.

For the purposes of subparagraphs *a* and *b* of the third paragraph, the eligible rate and the specified rate of a corporation or of a partnership for a taxation year or fiscal period, as the case may be, are those determined for the year or fiscal period in accordance with the second and third paragraphs of section 1029.8.36.59.50.

For the purposes of this section, an associated group, at the end of a calendar year, means all the qualified corporations and qualified partnerships that are associated with each other at that time.

“§3. — *Government assistance, non-government assistance and other particulars*

“**1029.8.36.59.52.** For the purpose of computing the amount that is deemed to have been paid to the Minister by a corporation, for a taxation year, under section 1029.8.36.59.50, the following rules apply:

(*a*) the amount of the corporation’s qualified expenditure or specified expenditure referred to in subparagraph *a* or *b* of the first paragraph of section 1029.8.36.59.50 is to be reduced, if applicable, by the amount of any government assistance or non-government assistance, attributable to the expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the taxation year; and

(*b*) the corporation’s share of the qualified expenditure or specified expenditure referred to in subparagraph *i* or *ii* of subparagraph *c* of the first paragraph of section 1029.8.36.59.50 of a partnership of which the corporation is a member, for a fiscal period of the partnership that ends in the corporation’s taxation year, is to be reduced, if applicable,

*i.* by the corporation’s share of the amount of any government assistance or non-government assistance, attributable to that expenditure, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period, and

*ii.* by the amount of any government assistance or non-government assistance, attributable to that expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph *i* of subparagraph *b* of the first paragraph, the share of a corporation, for a fiscal period of a partnership, of the amount of any government assistance or non-government assistance that the partnership has received, is entitled to receive or may reasonably expect to receive, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

**“1029.8.36.59.53.** Where, in respect of a qualified expenditure or specified expenditure of a qualified corporation for a taxation year or of a qualified partnership of which the qualified corporation is a member, for a fiscal period of that partnership that ends in the corporation’s taxation year, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that arises from the payment of an eligible contribution, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply for the purpose of computing the amount that is deemed to have been paid to the Minister, for the taxation year, by the qualified corporation under section 1029.8.36.59.50:

(*a*) the amount of the corporation’s qualified expenditure or specified expenditure referred to in subparagraph *a* or *b* of the first paragraph of section 1029.8.36.59.50 is to be reduced, if applicable, by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for the taxation year; and

(*b*) the corporation’s share of the partnership’s qualified expenditure or specified expenditure referred to in subparagraph *i* or *ii* of subparagraph *c* of the first paragraph of section 1029.8.36.59.50 is to be reduced, if applicable,

*i.* by the corporation’s share of the amount of the benefit or advantage that a partnership or a person, other than a person referred to in subparagraph *ii*, has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the day that is six months after the end of the fiscal period, and

*ii.* by the amount of the benefit or advantage that the corporation or a person with whom it does not deal at arm’s length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

For the purposes of subparagraph *i* of subparagraph *b* of the first paragraph, the share of a corporation, for a fiscal period of a partnership, of the amount of the benefit or advantage that a partnership or a person has obtained, is entitled to obtain or may reasonably expect to obtain, is equal to the agreed proportion of the amount in respect of the corporation for the fiscal period.

**“1029.8.36.59.54.** Where, in a taxation year (in this section referred to as the “repayment year”), a corporation pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *a* of the first paragraph of section 1029.8.36.59.52, the corporation’s qualified expenditure or specified expenditure for a particular taxation year for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.59.50, the corporation is deemed, if the corporation encloses the prescribed form containing prescribed information with the fiscal return the corporation is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation’s balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that the corporation would be deemed to have paid to the Minister for the particular year under section 1029.8.36.59.50, in respect of the qualified expenditure or the specified expenditure, as the case may be, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.59.52, exceeds the aggregate of

(*a*) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.50 for the particular year in respect of the qualified expenditure or the specified expenditure, as the case may be; and

(*b*) any amount that the corporation is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

**“1029.8.36.59.55.** Where, in a fiscal period (in this section referred to as the “fiscal period of repayment”), a partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *i* of subparagraph *b* of the first paragraph of section 1029.8.36.59.52, a corporation’s share of the partnership’s qualified expenditure or specified expenditure for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.50, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation’s balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if the corporation is a member of the partnership at the end of the fiscal period of repayment and if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.59.50 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of



(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.59.50, for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.59.52; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

**“1029.8.36.59.56.** Where a corporation is a member of a partnership at the end of a fiscal period of the partnership (in this section referred to as the “fiscal period of repayment”) and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.59.52, its share of the partnership’s qualified expenditure or specified expenditure for a particular fiscal period, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.59.50, in respect of the share, for its taxation year in which the particular fiscal period ended, the corporation is deemed to have paid to the Minister on the corporation’s balance-due day for its taxation year in which the fiscal period of repayment ends, on account of its tax payable for that year under this Part, if it encloses the prescribed form containing prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the particular amount that the corporation would be deemed, if the assumptions set out in the second paragraph were taken into account, to have paid to the Minister under section 1029.8.36.59.50 for its taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under section 1029.8.36.59.50 for its taxation year in which the particular fiscal period ends, in respect of the share, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment; and

(b) any amount that the corporation would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the corporation, if the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.36.59.52; and

(b) the agreed proportion in respect of the corporation for the particular fiscal period were the same as that for the fiscal period of repayment.

**“1029.8.36.59.57.** For the purposes of sections 1029.8.36.59.54 to 1029.8.36.59.56, an amount of assistance is deemed to be repaid by a corporation or a partnership, as the case may be, at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.59.52, a qualified expenditure or specified expenditure or the share of a corporation that is a member of the partnership of a qualified expenditure or specified expenditure, for the purpose of computing the amount that the corporation or the corporation that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.59.50;

(b) was not received by the corporation or partnership; and

(c) ceased at the particular time to be an amount that the corporation or partnership could reasonably expect to receive.”

(2) Subsection 1 applies from the taxation year 2019.

**148.** (1) Section 1029.8.36.166.40 of the Act is amended

(1) by inserting the following definition in alphabetical order in the first paragraph:

““metal manufacturing activities” of a corporation or a partnership means the following activities:

(a) the primary metal manufacturing activities that are included in the group described under code 331 of the North American Industry Classification System (NAICS) Canada, as amended from time to time and published by Statistics Canada; and

(b) the fabricated metal product manufacturing activities that are included in the group described under code 332 of the publication mentioned in paragraph *a*.”;

(2) by replacing paragraph *a* of the definition of “qualified property” in the first paragraph by the following paragraph:

“(a) is acquired by the corporation or partnership in a period that is,

i. if the property is referred to in paragraph *a.1* because of the application of subparagraph i of that paragraph and is not a property acquired pursuant to an obligation in writing entered into before 14 March 2008 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 13 March 2008, any of the following periods:

(1) where the property is acquired to be used mainly in a resource region, the period that begins on 14 March 2008 and ends on 31 December 2022, or

(2) in any other case, the period that begins on 14 March 2008 and ends on 31 December 2016 or, unless it is a property acquired pursuant to an obligation in writing entered into before 16 August 2018 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 15 August 2018, the period that begins on 16 August 2018 and ends on 31 December 2019,

ii. if the property is referred to in paragraph *a.1* because of the application of subparagraph i.1 of that paragraph, any of the following periods:

(1) where the property is acquired to be used mainly in a resource region, the period that begins on 28 January 2009 and ends on 31 December 2022, or

(2) in any other case, the period that begins on 28 January 2009 and ends on 31 December 2016 or, unless it is a property acquired pursuant to an obligation in writing entered into before 16 August 2018 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 15 August 2018, the period that begins on 16 August 2018 and ends on 31 December 2019, or

iii. if the property is referred to in paragraph *a.1* because of the application of subparagraph ii of that paragraph and is not a property acquired pursuant to an obligation in writing entered into before 21 March 2012 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 20 March 2012, any of the following periods:

(1) where the property is acquired to be used mainly in a resource region, the period that begins on 21 March 2012 and ends on 31 December 2022, or

(2) in any other case, the period that begins on 21 March 2012 and ends on 31 December 2016 or, unless it is a property acquired pursuant to an obligation in writing entered into before 16 August 2018 or the construction of which, if applicable, by or on behalf of the purchaser, had begun by 15 August 2018, the period that begins on 16 August 2018 and ends on 31 December 2019;”;

(3) by replacing “2017” in subparagraph i.1 of paragraph *a.1* of the definition of “qualified property” in the first paragraph by “2020”;

(4) by inserting the following definition in alphabetical order in the first paragraph:

““expenses eligible for a temporary additional increase” of a corporation for a taxation year or of a partnership for a fiscal period, in respect of a qualified property described in the fifth paragraph, means the portion of the eligible expenses of the corporation for the year or of the partnership for the fiscal period, in respect of the property, that are incurred after 15 August 2018 and before 1 January 2020

(*a*) by the corporation in a taxation year for which it is a qualified metal manufacturing sector corporation; or

(*b*) by the partnership in a fiscal period for which it is a qualified metal manufacturing sector partnership;”;

(5) by inserting the following definition in alphabetical order in the first paragraph:

““proportion of the activities relating to the metal manufacturing sector” of a qualified corporation for a taxation year or of a qualified partnership for a fiscal period means the proportion, expressed as a percentage, that the metal manufacturing salary or wages in relation to the corporation for the taxation year or to the partnership for the fiscal period is of the salary or wages in relation to the corporation for that year or to the partnership for that period;”;

(6) by inserting the following definition in alphabetical order in the first paragraph:

““qualified metal manufacturing sector corporation” for a taxation year means a qualified corporation for the year in respect of which the proportion of the activities relating to the metal manufacturing sector for the year exceeds 50%;”;

(7) by inserting the following definition in alphabetical order in the first paragraph:

““qualified metal manufacturing sector partnership” for a fiscal period means a qualified partnership for the fiscal period in respect of which the proportion of the activities relating to the metal manufacturing sector for that period exceeds 50%;”;

(8) by replacing “in the definition of “manufacturing or processing salary or wages”” in the definition of “salary or wages” in the first paragraph by “in the definitions of “manufacturing or processing salary or wages” and “metal manufacturing salary or wages””;

(9) by replacing the definition of “manufacturing or processing salary or wages” in the first paragraph by the following definition:

““manufacturing or processing salary or wages” in relation to a qualified corporation for a taxation year or a qualified partnership for a fiscal period means the portion of the salary or wages in relation to the qualified corporation for the taxation year or the qualified partnership for the fiscal period that corresponds to the aggregate of all amounts each of which is equal to the result obtained by multiplying the gross revenue of an employee of the corporation or partnership, as the case may be, by the proportion that the employee’s working time spent on manufacturing or processing activities, other than activities listed in section 130R12 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), in the taxation year or fiscal period is of all the employee’s working time in that year or period;”;

(10) by inserting the following definition in alphabetical order in the first paragraph:

““metal manufacturing salary or wages” in relation to a qualified corporation for a taxation year or a qualified partnership for a fiscal period means the portion of the salary or wages in relation to the qualified corporation for the taxation year or the qualified partnership for the fiscal period that corresponds to the aggregate of all amounts each of which is equal to the result obtained by multiplying the gross revenue of an employee of the corporation or partnership, as the case may be, by the proportion that the employee’s working time spent on metal manufacturing activities in the taxation year or fiscal period is of all the employee’s working time in that year or period;”;

(11) by replacing subparagraph *b* of the third paragraph by the following subparagraph:

“(b) the expenses incurred to acquire a property must be incurred,

i. where the property is acquired to be used mainly in a resource region, before 1 January 2023, or

ii. in any other case, before 1 January 2017, or after 15 August 2018 and before 1 January 2020.”;

(12) by inserting the following paragraph after the fourth paragraph:

“The qualified property referred to in the definition of “expenses eligible for a temporary additional increase” in the first paragraph is a qualified property that is acquired after 15 August 2018 and before 1 January 2020 otherwise than pursuant to an obligation in writing entered into before 16 August 2018 and that is not a property the construction of which, by or on behalf of the purchaser, had begun by 15 August 2018.”;

(13) by striking out the sixth paragraph;

(14) by replacing the seventh paragraph by the following paragraph:

“For the purposes of the definitions of “manufacturing or processing salary or wages” and “metal manufacturing salary or wages” in the first paragraph, an employee who spends 90% or more of working time on manufacturing or processing activities or on metal manufacturing activities, as the case may be, is deemed to spend all working time on those activities.”

(2) Paragraphs 1 to 12 and 14 of subsection 1 have effect from 16 August 2018.

(3) Paragraph 13 of subsection 1 applies to a taxation year that ends after 26 March 2015.

**149.** (1) Section 1029.8.36.166.43 of the Act is amended

(1) by replacing subparagraphs i and ii of subparagraph *a* of the first paragraph by the following subparagraphs:

“i. the aggregate of all amounts each of which is the product obtained by multiplying a portion of its eligible expenses for the year, in respect of the property, such portion being referred to in section 1029.8.36.166.45, by the rate determined for the year, under that section, in relation to that portion of expenses, to the extent that the aggregate of those portions of expenses (in subparagraphs ii and iii referred to as the “particular eligible expenses”) is established subject to the second paragraph and does not include the portion, determined by the corporation, of the eligible expenses incurred by the corporation in the year as a party to a joint venture that exceeds the corporation’s share for the year of the balance of the joint venture’s cumulative eligible expense limit,

“ii. the product obtained by multiplying the portion of the particular eligible expenses for the year, in respect of the property, that are expenses eligible for an additional increase of the corporation for the year, by the rate determined for the year, under section 1029.8.36.166.45.1, in relation to that portion of the particular eligible expenses, and”;

(2) by adding the following subparagraph at the end of subparagraph *a* of the first paragraph:

“iii. the product obtained by multiplying the portion of the particular eligible expenses for the year, in respect of the property, that are expenses eligible for a temporary additional increase of the corporation for the year, by the rate determined for the year, under section 1029.8.36.166.45.2, in relation to that portion of the particular eligible expenses; or”;

(3) by replacing subparagraph *b* of the first paragraph by the following subparagraph:

“(b) the total of

i. the product obtained by multiplying by 5% the amount by which the portion of its eligible expenses for the year, in respect of the property, that are expenses referred to in subparagraph *a* or *b* of the third paragraph of section 1029.8.36.166.45 (such portion being in this subparagraph *b* referred to as the “specified eligible expenses”), exceeds the portion of those specified eligible expenses that is referred to in subparagraph *i* of subparagraph *a*, and

ii. the product obtained by multiplying by 4% the amount by which the portion of its eligible expenses for the year, in respect of the property, that are not specified eligible expenses (such portion being in this subparagraph *ii* referred to as the “other eligible expenses”), exceeds the portion of those other eligible expenses that is referred to in subparagraph *i* of subparagraph *a*.”;

(4) by replacing the second paragraph by the following paragraph:

“The total of the eligible expenses that are referred to in subparagraph *i* of subparagraph *a* of the first paragraph in respect of a corporation for a taxation year may not exceed the amount that is the amount by which the balance of its cumulative eligible expense limit for the year exceeds the aggregate of all amounts each of which is its share of eligible expenses that would be referred to in subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.166.44 for the year and in respect of which the corporation would be deemed to have paid an amount to the Minister for the year under section 1029.8.36.166.44 if it were read without reference to its third paragraph and if the definition of “eligible expenses” in the first paragraph of section 1029.8.36.166.40 were read without reference to “the amount by which the excluded expense amount relating to the qualified property in respect of the partnership for the particular fiscal period is exceeded by” in the portion of its paragraph *b* before subparagraph *i*.”

(2) Subsection 1 has effect from 16 August 2018.

**150.** (1) Section 1029.8.36.166.44 of the Act is amended

(1) by replacing subparagraphs i and ii of subparagraph *a* of the first paragraph by the following subparagraphs:

“i. the aggregate of all amounts each of which is the product obtained by multiplying its share of a portion of the partnership’s eligible expenses for the particular fiscal period, in respect of the property, such portion being referred to in section 1029.8.36.166.45, by the rate determined for the year, under that section, in relation to its share of that portion of expenses, to the extent that the aggregate of those portions of expenses (in subparagraphs ii and iii referred to as the “particular eligible expenses”) is established subject to the second paragraph and does not include the portion, determined by the qualified corporation, of the qualified partnership’s eligible expenses for the particular fiscal period that exceeds the balance of the partnership’s cumulative eligible expense limit for the particular fiscal period, or the portion, determined by the qualified corporation, of such expenses incurred by the partnership in the particular fiscal period as a party to a joint venture that exceeds the partnership’s share for the particular fiscal period of the balance of the joint venture’s cumulative eligible expense limit,

“ii. the product obtained by multiplying its share of the portion of the particular eligible expenses for the particular fiscal period, in respect of the property, that are expenses eligible for an additional increase of the partnership for that period, by the rate determined for the year, under section 1029.8.36.166.45.1, in relation to its share of that portion of the particular eligible expenses, and”;

(2) by adding the following subparagraph at the end of subparagraph *a* of the first paragraph:

“iii. the product obtained by multiplying its share of the portion of the particular eligible expenses for the particular fiscal period, in respect of the property, that are expenses eligible for a temporary additional increase of the partnership for that period, by the rate determined for the year, under section 1029.8.36.166.45.2, in relation to its share of that portion of the particular eligible expenses; or”;

(3) by replacing subparagraph *b* of the first paragraph by the following subparagraph:

“(b) the total of

i. the product obtained by multiplying by 5% its share of the amount by which the portion of the partnership’s eligible expenses for the particular fiscal period, in respect of the property, that are expenses referred to in subparagraph *a* or *b* of the third paragraph of section 1029.8.36.166.45 (such portion being in this subparagraph *b* referred to as the “specified eligible expenses”), exceeds the portion of those specified eligible expenses that is referred to in subparagraph i of subparagraph *a*, and



ii. the product obtained by multiplying by 4% its share of the amount by which the portion of the partnership's eligible expenses for the particular fiscal period, in respect of the property, that are not specified eligible expenses (such portion being in this subparagraph ii referred to as the "other eligible expenses"), exceeds the portion of those other eligible expenses that is referred to in subparagraph i of subparagraph *a*.”;

(4) by replacing the second paragraph by the following paragraph:

“The total of all amounts each of which is a corporation's share of eligible expenses that is referred to in subparagraph i of subparagraph *a* of the first paragraph for a taxation year may not exceed the amount that is the amount by which the balance of its cumulative eligible expense limit for the year exceeds the total of the eligible expenses that would be referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.166.43 for the year and in respect of which the corporation would be deemed to have paid an amount to the Minister for the year under section 1029.8.36.166.43 if it were read without reference to its third paragraph and if the definition of “eligible expenses” in the first paragraph of section 1029.8.36.166.40 were read without reference to “the amount by which the excluded expense amount relating to the qualified property in respect of the corporation for the particular year is exceeded by” in the portion of its paragraph *a* before subparagraph i.”

(2) Subsection 1 has effect from 16 August 2018.

**151.** (1) Section 1029.8.36.166.45 of the Act is amended

(1) by replacing “to the portion” and “of the portion” in the portion before subparagraph *a* of the first paragraph by “to a portion” and “of a portion”, respectively;

(2) by replacing subparagraphs *a* to *d* of the first paragraph by the following subparagraphs:

“(a) where the qualified property is acquired to be used mainly in an administrative region referred to in any of subparagraphs iv to vii of paragraph *a* of the definition of “resource region” in the first paragraph of section 1029.8.36.166.40,

i. if the portion of the expenses represents eligible expenses that are described in subparagraph *a* or *b* of the third paragraph, the rate determined by the formula

$$40\% - [35\% \times (A - \$250,000,000)/\$250,000,000],$$

ii. if subparagraph i does not apply and the portion of the expenses represents eligible expenses incurred before 1 January 2017, the rate determined by the formula

$$32\% - [28\% \times (A - \$250,000,000)/\$250,000,000], \text{ or}$$

iii. in any other case, the rate determined by the formula

$$24\% - [20\% \times (A - \$250,000,000)/\$250,000,000];$$

“(b) where the qualified property is acquired to be used mainly in one of the regional county municipalities referred to in subparagraphs i.2, i.3 and ii.2 of paragraph b of the definition of “resource region” in the first paragraph of section 1029.8.36.166.40,

i. if the portion of the expenses represents eligible expenses that are described in subparagraph a of the third paragraph and the corporation is neither deemed to have paid an amount to the Minister under Division II.6.6.6.1 for the particular taxation year nor associated, in the particular taxation year, with another corporation that is deemed to have paid an amount to the Minister under Division II.6.6.6.1 for a taxation year that ends in the particular taxation year, the rate determined by the formula

$$35\% - [30\% \times (A - \$250,000,000)/\$250,000,000],$$

ii. if subparagraph i does not apply and the portion of the expenses represents eligible expenses that are described in subparagraph a or b of the third paragraph, the rate determined by the formula

$$30\% - [25\% \times (A - \$250,000,000)/\$250,000,000],$$

iii. if subparagraphs i and ii do not apply and the portion of the expenses represents eligible expenses incurred before 1 January 2017, the rate determined by the formula

$$24\% - [20\% \times (A - \$250,000,000)/\$250,000,000], \text{ or}$$

iv. in any other case, the rate determined by the formula

$$16\% - [12\% \times (A - \$250,000,000)/\$250,000,000];$$

“(c) where the qualified property is acquired to be used mainly in an administrative region referred to in subparagraph ii or iii of paragraph a of the definition of “resource region” in the first paragraph of section 1029.8.36.166.40 or in one of the regional county municipalities referred to in subparagraphs i, i.1, ii, ii.1 and iii to vi of paragraph b of that definition,

i. if the portion of the expenses represents eligible expenses that are described in subparagraph *a* of the third paragraph and the corporation is neither deemed to have paid an amount to the Minister under Division II.6.6.6.1 for the particular taxation year nor associated, in the particular taxation year, with another corporation that is deemed to have paid an amount to the Minister under Division II.6.6.6.1 for a taxation year that ends in the particular taxation year, the rate determined by the formula

$$25\% - [20\% \times (A - \$250,000,000)/\$250,000,000],$$

ii. if subparagraph i does not apply and the portion of the expenses represents eligible expenses that are described in subparagraph *a* or *b* of the third paragraph, the rate determined by the formula

$$20\% - [15\% \times (A - \$250,000,000)/\$250,000,000],$$

iii. if subparagraphs i and ii do not apply and the portion of the expenses represents eligible expenses incurred before 1 January 2017, the rate determined by the formula

$$16\% - [12\% \times (A - \$250,000,000)/\$250,000,000], \text{ or}$$

iv. in any other case, the rate determined by the formula

$$8\% - [4\% \times (A - \$250,000,000)/\$250,000,000]; \text{ or}$$

“(d) in any other case,

i. if the portion of the expenses represents eligible expenses that are described in subparagraph *a* or *b* of the third paragraph, the rate determined by the formula

$$10\% - [5\% \times (A - \$250,000,000)/\$250,000,000], \text{ or}$$

ii. if subparagraph i does not apply and the portion of the expenses represents eligible expenses incurred before 1 January 2017, the rate determined by the formula

$$8\% - [4\% \times (A - \$250,000,000)/\$250,000,000].”;$$

(3) by replacing the third paragraph by the following paragraph:

“The expenses referred to in subparagraph *b* of the first paragraph of sections 1029.8.36.166.43 and 1029.8.36.166.44 and in subparagraphs *a* to *d* of the first paragraph of this section are

(a) eligible expenses incurred before 5 June 2014 and those incurred after 4 June 2014 and before 1 July 2015, where the property is acquired on or before 4 June 2014 or, otherwise, where the property is acquired pursuant to an obligation in writing entered into on or before that date or its construction, by or on behalf of the purchaser, had begun by that date; or

(b) eligible expenses incurred in the period that begins on 16 August 2018 and ends on 31 December 2019, where the property is acquired in that period otherwise than pursuant to an obligation in writing entered into on or before 15 August 2018 and is not a property the construction of which, by or on behalf of the purchaser, had begun by that date.”

(2) Subsection 1 has effect from 16 August 2018.

**152.** (1) The Act is amended by inserting the following section after section 1029.8.36.166.45.1:

**“1029.8.36.166.45.2.** The rate to which subparagraph iii of subparagraph *a* of the first paragraph of sections 1029.8.36.166.43 and 1029.8.36.166.44 refers, in relation to the portion of a corporation’s eligible expenses or to a corporation’s share of the portion of a partnership’s eligible expenses, in respect of a qualified property, for a taxation year is

(a) if the property is acquired to be used mainly in a resource region, the rate determined by the formula

$$5\% - [5\% \times (A - \$250,000,000)/\$250,000,000]; \text{ or}$$

(b) in any other case, the rate determined by the formula

$$10\% - [10\% \times (A - \$250,000,000)/\$250,000,000].$$

In the formulas in the first paragraph, A is the greater of

(a) \$250,000,000; and

(b) the lesser of \$500,000,000 and the paid-up capital attributed to the corporation for the year, determined in accordance with section 737.18.24.”

(2) Subsection 1 has effect from 16 August 2018.

**153.** (1) Section 1029.8.36.166.60.1 of the Act is amended by striking out the fourth paragraph.

(2) Subsection 1 applies to a taxation year that ends after 26 March 2015.

**154.** (1) Section 1029.8.36.166.60.19 of the Act is amended by striking out the third paragraph.

(2) Subsection 1 applies to a taxation year that ends after 26 March 2015.

**155.** (1) Section 1029.8.61.18 of the Act is amended

(1) by replacing “\$195” in subparagraph *b* of the second paragraph by “\$198”;

(2) by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) I is an amount (in this division referred to as the “supplement for handicapped children requiring exceptional care”) equal to the aggregate of

i. the amount (in this division and the regulations referred to as the “amount for the first level”) equal to the product obtained by multiplying \$995 by the number of eligible dependent children referred to in subparagraph *a* of the first paragraph of section 1029.8.61.19.1 in respect of whom the individual is, at the beginning of the particular month, an eligible individual, and

ii. the amount (in this division and the regulations referred to as the “amount for the second level”) equal to the product obtained by multiplying \$663 by the number of eligible dependent children referred to in subparagraph *b* of the first paragraph of section 1029.8.61.19.1, without being referred to in subparagraph *a* of that paragraph, in respect of whom the individual is, at the beginning of the particular month, an eligible individual; and”;

(3) by replacing “\$102” in subparagraph *i* of subparagraph *d* of the second paragraph by “\$104”;

(4) by replacing subparagraph *a* of the third paragraph by the following subparagraph:

“(a) C is an amount equal to the product obtained by multiplying \$2,515 by the number of eligible dependent children in respect of whom the individual is, at the beginning of the particular month, an eligible individual;”;

(5) by replacing “\$867” in subparagraph *b* of the third paragraph by “\$882”;

(6) by replacing subparagraph *e* of the third paragraph by the following subparagraph:

“(e) G is an amount equal to the product obtained by multiplying \$1,000 by the number of eligible dependent children in respect of whom the individual is, at the beginning of the particular month, an eligible individual; and”;

(7) by replacing “\$346” in subparagraph *f* of the third paragraph by “\$352”.

(2) Paragraphs 1 and 3 to 7 of subsection 1 apply from 1 January 2020.

(3) Paragraph 2 of subsection 1 has effect from 1 April 2019. However, where section 1029.8.61.18 of the Act applies before 1 January 2020, subparagraph i of subparagraph *c* of the second paragraph is to be read as if “\$995” were replaced by “\$978” and subparagraph ii of that subparagraph *c* is to be read as if “\$663” were replaced by “\$652”.

**156.** (1) Section 1029.8.61.19.1 of the Act is amended

(1) by replacing the first paragraph by the following paragraph:

“For the purposes of subparagraph *c* of the second paragraph of section 1029.8.61.18 and subject to sections 1029.8.61.19.2 to 1029.8.61.19.4,

(*a*) for the purpose of computing the amount for the first level, an eligible dependent child to whom subparagraph i of subparagraph *c* of the second paragraph of section 1029.8.61.18 refers is a child described in the first paragraph of section 1029.8.61.19 who is, according to the prescribed rules, in either of the following situations:

i. the child is two years of age or over at the beginning of the particular month and, during a foreseeable period of at least one year, has an impairment or a mental function disability entailing serious and multiple disabilities that prevent the child—to the extent prescribed for computing the amount for the first level—from independently performing the life habits of a child of his or her age, or

ii. the child’s state of health at the beginning of the particular month requires, during a foreseeable period of at least one year, specified complex medical care at home that is described in the first paragraph of section 1029.8.61.19.3 and, where the child is six years of age or over at the beginning of the particular month and the care is care described in subparagraph i or ii of subparagraph *a* of that paragraph, the child’s state of health limits the child—to the extent prescribed—in performing the life habits of a child of his or her age; and

(*b*) for the purpose of computing the amount for the second level, an eligible dependent child to whom subparagraph ii of subparagraph *c* of the second paragraph of section 1029.8.61.18 refers is a child described in the first paragraph of section 1029.8.61.19 who is, according to the prescribed rules, in either of the following situations:

i. the child is two years of age or over at the beginning of the particular month and, during a foreseeable period of at least one year, has an impairment or a mental function disability entailing serious and multiple disabilities that prevent the child—to the extent prescribed for computing the amount for the second level—from independently performing the life habits of a child of his or her age, or

ii. the child's state of health at the beginning of the particular month requires, during a foreseeable period of at least one year, specified complex medical care at home that is described in the second paragraph of section 1029.8.61.19.3.”;

(2) by inserting the following paragraph after the third paragraph:

“An eligible individual, in respect of a child, who becomes aware that a change in the child's condition is likely to change the child's eligibility for the amount for the first or second level must file with Retraite Québec an application for the reassessment of the child's condition.”;

(3) by inserting the following paragraph after the fourth paragraph:

“Where the reassessment of the child's condition under the fourth or fifth paragraph has the effect of increasing or reducing an amount in respect of the supplement for handicapped children requiring exceptional care that an individual is entitled to receive, the following rules apply:

(a) if the reassessment has the effect of increasing the amount that the individual is entitled to receive, the amount is revised as of the particular month following the month in which the application for reassessment is received by Retraite Québec or, if the reassessment is required by Retraite Québec under the fifth paragraph, as of the particular month following the month in which the information required for the analysis of the child's condition is received by Retraite Québec; and

(b) if the reassessment has the effect of reducing the amount that the individual is entitled to receive or of causing the individual to no longer be entitled to such an amount, the amount is revised or is no longer paid, as the case may be, as of the particular month following the month in which the decision is rendered by Retraite Québec.”

(2) Subsection 1 has effect from 1 April 2019.

**157.** (1) Section 1029.8.61.19.3 of the Act is amended

(1) by replacing the portion before paragraph *a* by the following:

**“1029.8.61.19.3.** For the purposes of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.61.19.1, specified complex medical care at home is as follows:”;

(2) by replacing subparagraph i of paragraph *a* by the following subparagraph:

“i. non-invasive mechanical ventilation with bi-level positive airway pressure (BPAP) on a daily basis;”;

(3) by replacing paragraph *c* by the following paragraph:

“(c) complex cardiac care, namely

- i. the intravenous administration of inotropes, and
- ii. care related to a ventricular assist device (artificial heart pump); and”;

(4) by adding the following paragraph at the end:

“For the purposes of subparagraph ii of subparagraph *b* of the first paragraph of section 1029.8.61.19.1, specified complex medical care at home is as follows:

(a) complex respiratory care, namely

- i. oxygenotherapy or mechanical ventilation, on a daily basis and 24 hours a day, and
- ii. where the child is six years of age or over at the beginning of the particular month, the care related to a tracheostomy without invasive mechanical ventilation;

(b) complex nutritional care, namely feeding through jejunal or gastro-jejunal tube; and

(c) daily skin care for extreme skin conditions affecting wide areas of the skin that are at high risk of developing pressure ulcers, synechia or shrinkage.”

(2) Paragraphs 1, 3 and 4 of subsection 1 have effect from 1 April 2019.

(3) Paragraph 2 of subsection 1 has effect from 1 July 2019. However, where Retraite Québec has rendered, before 11 June 2019, a favourable decision in relation to an application referred to in the second paragraph of section 1029.8.61.19.1 of the Taxation Act, for the purpose of taking into account an amount in respect of the supplement for handicapped children requiring exceptional care, paragraph 2 of subsection 1 applies as of the month following the month in which Retraite Québec renders a decision after a reassessment of the child’s condition. In addition, where subparagraph i of paragraph *a* of section 1029.8.61.19.3 of the Act applies in respect of a month prior to 1 July 2019, it is to be read as if “BiPAP” were replaced by “BPAP”.

**158.** (1) Section 1029.8.61.19.4 of the Act is amended by replacing the portion before paragraph *a* by the following:

“**1029.8.61.19.4.** Subparagraph ii of each of subparagraphs *a* and *b* of the first paragraph of section 1029.8.61.19.1 applies in respect of a child only if”.

(2) Subsection 1 has effect from 1 April 2019.



**159.** (1) Section 1029.8.61.20 of the Act is amended

(1) by replacing “2019” in the portion before the formula in the first paragraph by “2020”;

(2) by replacing “\$195” in subparagraph *a* of the fourth paragraph by “\$198”;

(3) by replacing subparagraph *a.1* of the fourth paragraph by the following subparagraph:

“(a.1) the amounts of \$995 and \$663 mentioned in subparagraph *c* of the second paragraph of section 1029.8.61.18;”;

(4) by replacing “\$102” in subparagraph *a.2* of the fourth paragraph by “\$104”;

(5) by replacing subparagraph *b* of the fourth paragraph by the following subparagraph:

“(b) the amount of \$2,515 mentioned in subparagraph *a* of the third paragraph of section 1029.8.61.18;”;

(6) by replacing “\$867” in subparagraph *c* of the fourth paragraph by “\$882”;

(7) by replacing subparagraph *d* of the fourth paragraph by the following subparagraph:

“(d) the amount of \$1,000 mentioned in subparagraph *e* of the third paragraph of section 1029.8.61.18; and”;

(8) by replacing “\$346” in subparagraph *e* of the fourth paragraph by “\$352”.

(2) Subsection 1 applies from 1 January 2020.

**160.** Section 1029.8.80.0.1 of the Act is amended by replacing paragraph *a* by the following paragraph:

“(a) the amount the particular individual is deemed to have paid to the Minister for the year under section 1029.8.79, determined without reference to this section, shall be reduced by such portion of the amount as the particular individual and the eligible spouse agree to attribute to the eligible spouse for the year in the prescribed form filed with the Minister by the particular individual with the particular individual’s fiscal return under this Part for the year;”.

**161.** (1) Section 1029.8.174 of the Act is amended by replacing the portion of the definition of “eligible dwelling” before paragraph *a* by the following:

““eligible dwelling” of an individual means a dwelling that is located in Québec, other than an excluded dwelling, of which construction is completed before 1 January 2017, of which the individual is the owner when the septic system repair expenditures are incurred, that is an isolated dwelling in respect of which section 2 of the Regulation respecting waste water disposal systems for isolated dwellings applies or that is part of such a dwelling, and that is”.

(2) Subsection 1 has effect from 27 April 2017.

**162.** (1) Section 1034.0.0.2 of the Act is replaced by the following section:

**“1034.0.0.2.** Where an amount is required to be added under section 766.3.4 in computing a specified individual’s tax otherwise payable under this Part for a taxation year and the specified individual has not attained the age of 24 years before the year, the following rules apply:

(*a*) subject to subparagraph *b*, any of the following persons is solidarily liable with the specified individual to pay that amount:

i. if the specified individual has not attained the age of 17 years before the year, the father or mother of the specified individual, and

ii. if the specified individual has attained the age of 17 years before the year, the source individual in respect of the specified individual where

(1) the amount was derived directly or indirectly from a related business in respect of the specified individual, with reference to paragraph *d* of section 766.3.3.1, and

(2) the source individual meets the conditions set out in any of paragraphs *a* to *c* of the definition of “related business” in the first paragraph of section 766.3.3 in respect of the related business; and

(*b*) the liability of any of the persons referred to in subparagraph *a* in respect of the specified individual for the year is to be determined as though the only amounts included in the specified individual’s split income for the year are amounts derived from the related business referred to in subparagraph ii of subparagraph *a*.

However, nothing in this section limits the liability of the specified individual under any other provision of this Act or the liability of any of the persons referred to in subparagraph *a* of the first paragraph for the interest that the person is liable to pay under this Act on an assessment in respect of an amount that the person is liable to pay because of this section.”

(2) Subsection 1 applies from the taxation year 2018.

**163.** Section 1034.1 of the Act is amended by replacing “jointly and severally” in paragraph 2 by “solidarily”.

**164.** Section 1034.3.1 of the Act is replaced by the following section:

**“1034.3.1.** For the purposes of sections 1034.2 and 1034.3, the fair market value at any time of an undivided right in a property is deemed to be equal to the proportion of the fair market value of the property at that time that the right is of all the undivided rights in the property.”

**165.** Section 1079.8.1 of the Act is amended

(1) by inserting the following definitions in alphabetical order in the first paragraph:

““promoter” has the meaning assigned by section 1079.9;

““specified transaction” carried out by a taxpayer or a partnership means a transaction whose form and substance of the facts specific to the taxpayer or the partnership are significantly similar to the form and the substance of the facts of a transaction determined by the Minister and published in the *Gazette officielle du Québec*”;

(2) by adding the following paragraphs at the end:

“For the purposes of this Book, in relation to a transaction determined by the Minister under the definition of “specified transaction” in the first paragraph, the Minister also determines and publishes in the *Gazette officielle du Québec* which taxpayers will be required to disclose a specified transaction in accordance with section 1079.8.6.2 and which will be the partnerships whose members will be subject to that obligation, if applicable, as well as the day from which the obligation to disclose specified transactions will apply.

The obligations provided for in this Book apply in respect of a specified transaction only if the carrying out of the specified transaction begins after the date of publication in the *Gazette officielle du Québec* of the transaction determined by the Minister to which the specified transaction relates; in that respect, section 1.5 does not apply for the purpose of determining the date on which a specified transaction begins to be carried out.”

**166.** (1) The Act is amended by inserting the following sections after section 1079.8.6.1:

**“1079.8.6.2.** A taxpayer who carries out a specified transaction or who is a member of a partnership that carries out such a transaction shall, in an information return filed in accordance with the first paragraph of section 1079.8.9 and within the time limit provided for in section 1079.8.10.1, disclose the transaction to the Minister.

The first paragraph applies to a taxpayer who carries out the specified transaction or who is a member of a partnership that carries out the transaction only if the taxpayer is, in accordance with the Minister's determination under the fourth paragraph of section 1079.8.1, subject to the obligation to disclose the transaction.

Despite the first paragraph, the obligation to disclose provided for in that paragraph applies, in the case of a limited partnership, to all of its general partners and to them only.

**“1079.8.6.3.** An adviser or a promoter who commercializes a transaction or promotes it, or if the adviser or promoter is a partnership, any of its members, shall—if the form and the substance of the facts of the transaction are significantly similar to the form and the substance of the facts of a transaction determined by the Minister and published in the *Gazette officielle du Québec* and if the transaction did not have to be significantly altered in its form and substance to be suitable for implementation with respect to various taxpayers or partnerships—file an information return in accordance with the second paragraph of section 1079.8.9 and within the time limit provided for in section 1079.8.10.2 in respect of the transaction.

**“1079.8.6.4.** A taxpayer who is a party to a nominee contract entered into in the course of a transaction having tax consequences under this Act or who is a member of a partnership that is a party to such a contract shall, in an information return sent to the Minister under separate cover by registered mail and in the prescribed form, disclose the contract and the transaction to the Minister on or before the 90th day after the date on which the contract was entered into.

The information return must contain the following information:

- (a) the date the nominee contract was entered into;
- (b) the identity of the parties to the nominee contract;
- (c) a complete description of the facts of the transaction that is sufficiently detailed to allow the Minister to analyze it and have a proper understanding of the tax consequences;
- (d) the identity of any other person or entity in respect of which the transaction has tax consequences; and
- (e) such other information as is required by the prescribed form.

A disclosure made in accordance with the first paragraph by a party to a nominee contract is deemed to be such a disclosure made by any other party to the nominee contract.

Despite the first paragraph, the obligation to disclose provided for in that paragraph applies, in the case of a limited partnership, to all of its general partners and to them only.”

(2) Subsection 1, where it enacts section 1079.8.6.4 of the Act, applies in respect of a nominee contract entered into after 16 May 2019, or before 17 May 2019 where the tax consequences of the transaction in the course of which the nominee contract was entered into continue after 16 May 2019. However, where the first paragraph of section 1079.8.6.4 of the Act applies in respect of a nominee contract entered into before 24 September 2020, it is to be read as follows:

**“1079.8.6.4.** A taxpayer who is a party to a nominee contract entered into in the course of a transaction having tax consequences under this Act or who is a member of a partnership that is a party to such a contract shall, in an information return sent to the Minister under separate cover by registered mail and in the prescribed form, disclose the contract and the transaction to the Minister on or before the later of the 90th day after the date on which the contract was entered into and 23 December 2020.”

**167.** (1) Section 1079.8.7.1 of the Act is amended by replacing “1079.8.5 to 1079.8.7” in the first paragraph by “1079.8.5 to 1079.8.6.2 and 1079.8.7”.

(2) Subsection 1 has effect from 18 September 2019. However, where section 1079.8.7.1 of the Act applies before 24 September 2020, it is to be read as if “1079.8.6.2” in the first paragraph were replaced by “1079.8.6.1”.

**168.** (1) Section 1079.8.9 of the Act is amended

(1) by replacing the portion before subparagraph *a* of the first paragraph by the following:

**“1079.8.9.** An information return, in respect of a transaction, whose filing is provided for in any of sections 1079.8.5 to 1079.8.6.2, 1079.8.7 and 1079.8.7.1 must be sent to the Minister under separate cover by registered mail, in the prescribed form, and contain the following information:”;

(2) by inserting the following paragraph after the first paragraph:

“An information return, in respect of a transaction, whose filing is provided for in section 1079.8.6.3 must be sent to the Minister under separate cover by registered mail, in the prescribed form, and contain the following information:

(*a*) a complete description of the facts of the transaction; and

(*b*) such other information as is required by the prescribed form.”

(2) Paragraph 1 of subsection 1 has effect from 17 May 2019. However, where section 1079.8.9 of the Act applies

(1) before 18 September 2019, it is to be read as if “, 1079.8.7 and 1079.8.7.1” in the portion of the first paragraph before subparagraph *a* were replaced by “and 1079.8.7”; and

(2) before 24 September 2020, it is to be read as if “1079.8.6.2” in the portion of the first paragraph before subparagraph *a* were replaced by “1079.8.6.1”.

**169.** (1) Section 1079.8.10 of the Act is amended by replacing the first paragraph by the following paragraph:

“Subject to the second paragraph, the information return, in respect of a transaction, whose filing is provided for in any of sections 1079.8.5 to 1079.8.6.1 and 1079.8.7 must be sent to the Minister on or before the filing-due date of the taxpayer who carried out the transaction for the taxation year referred to in that section or, if the transaction is carried out by a partnership, on or before the day, determined in accordance with section 1086R80 of the Regulation respecting the Taxation Act (chapter I-3, r. 1), on which the partnership return provided for in section 1086R78 of that Regulation is required to be filed for the partnership’s fiscal period referred to in any of sections 1079.8.5 to 1079.8.6.1 and 1079.8.7, as the case may be, or would be required to be so filed but for section 36.1 of the Tax Administration Act (chapter A-6.002).”

(2) Subsection 1 has effect from 17 May 2019.

**170.** The Act is amended by inserting the following sections after section 1079.8.10:

**“1079.8.10.1.** An information return, in respect of a specified transaction, whose filing is provided for in section 1079.8.6.2 must be sent to the Minister on or before the later of

(*a*) the 60th day after the day determined by the Minister, under the fourth paragraph of section 1079.8.1, from which the obligation to disclose the specified transaction applies; and

(*b*) the 120th day after the day of the publication in the *Gazette officielle du Québec* of the transaction determined by the Minister to which the specified transaction relates.

**“1079.8.10.2.** An information return, in respect of a particular transaction, whose filing is provided for in section 1079.8.6.3 must be sent to the Minister by an adviser or a promoter on or before the later of

(*a*) the 60th day after the day on which the adviser or the promoter commercializes the particular transaction or promotes it for the first time; and

(b) the 120th day after the day of the publication in the *Gazette officielle du Québec* of the transaction determined by the Minister to which the particular transaction relates.”

**171.** (1) Section 1079.8.11 of the Act is replaced by the following section:

“**1079.8.11.** An information return, in respect of a transaction, whose filing is provided for in any of sections 1079.8.5 to 1079.8.6.3, 1079.8.7 and 1079.8.7.1 and that is sent to the Minister is deemed to have been sent to the Minister in accordance with section 1079.8.9 if, within 120 days after the day on which it was sent, the Minister does not communicate with the person who filed the return in order to obtain additional information in relation to the transaction or the tax consequences resulting from the transaction.”

(2) Subsection 1 has effect from 17 May 2019. However, where section 1079.8.11 of the Act applies

(1) before 18 September 2019, it is to be read as if “, 1079.8.7 and 1079.8.7.1” were replaced by “and 1079.8.7”; and

(2) before 24 September 2020, it is to be read as if “1079.8.6.3” were replaced by “1079.8.6.1”.

**172.** (1) Section 1079.8.13 of the Act is amended by replacing the first paragraph by the following paragraph:

“If, in relation to a transaction to which any of sections 1079.8.5 to 1079.8.6.1 applies, the taxpayer who carried out the transaction or a member of the partnership that carried out the transaction fails to send, in accordance with that section, an information return within the time limit provided for in section 1079.8.10 in respect of the transaction, the taxpayer or the partnership, as the case may be, incurs a penalty of up to \$100,000 comprising a penalty of \$10,000 and a penalty of \$1,000 a day, as of the second day, for every day the failure continues.”

(2) Subsection 1 has effect from 17 May 2019.

**173.** (1) The Act is amended by inserting the following sections after section 1079.8.13:

“**1079.8.13.1.** If, in relation to a specified transaction to which section 1079.8.6.2 applies and that is carried out by a taxpayer or a partnership, the taxpayer or a member of the partnership fails to send, in accordance with that section, an information return within the time limit provided for in section 1079.8.10.1 in respect of the transaction, the taxpayer or the partnership, as the case may be, incurs a penalty of up to \$100,000 comprising a penalty of \$10,000 and an additional penalty of \$1,000 a day, as of the second day, for every day the failure continues.

In the case of a failure described in the first paragraph, the taxpayer or the partnership that carries out the specified transaction also incurs a penalty equal to 50% of the tax benefit that, but for Title I of Book XI, would result, directly or indirectly, from the transaction for any taxation year.

However, the taxpayer or the partnership, as the case may be, may not incur,

(a) in respect of the same failure, both the penalty provided for in the first paragraph and the penalty provided for in section 59 of the Tax Administration Act (chapter A-6.002); or

(b) in respect of the same transaction, both the penalty provided for in the first paragraph and the penalty provided for in section 1079.8.13.

**“1079.8.13.2.** If, in relation to a transaction to which section 1079.8.6.3 applies, an adviser or a promoter who commercializes the transaction or promotes it or, if the adviser or promoter is a partnership, any of its members fails to send, in accordance with that section, an information return within the time limit provided for in section 1079.8.10.2 in respect of the transaction, the promoter or adviser, as the case may be, incurs a penalty of up to \$100,000 comprising a penalty of \$10,000 and an additional penalty of \$1,000 a day, as of the second day, for every day the failure continues.

The promoter or adviser also incurs a penalty equal to 100% of the aggregate of all amounts each of which is a consideration that the promoter or adviser, or a person or partnership related to or associated with the promoter or adviser, has received or is entitled to receive, directly or indirectly, from any person or partnership for the implementation of the transaction so commercialized or promoted.

However, the promoter or adviser may not incur, in respect of the same failure, both the penalty provided for in the first paragraph and the penalty provided for in section 59 of the Tax Administration Act (chapter A-6.002).

**“1079.8.13.3.** If a taxpayer who is a party to a nominee contract entered into in the course of a transaction to which section 1079.8.6.4 applies or a member of a partnership that is a party to such a contract fails to send, in accordance with that section, an information return in respect of the contract and the transaction, the taxpayer or the partnership, as the case may be, incurs, solidarily with the other parties to the contract, a penalty of up to \$5,000 comprising a penalty of \$1,000 and an additional penalty of \$100 a day, as of the second day, for every day the failure continues.

However, the taxpayer or the partnership, as the case may be, may not incur, in respect of the same failure, both the penalty provided for in the first paragraph and the penalty provided for in section 59 of the Tax Administration Act (chapter A-6.002).”



(2) Subsection 1, where it enacts section 1079.8.13.3 of the Act, applies in respect of a nominee contract entered into after 16 May 2019 or before 17 May 2019 where the tax consequences of the transaction in the course of which the nominee contract was entered into continue after 16 May 2019.

**174.** (1) Section 1079.8.14 of the Act is replaced by the following section:

**“1079.8.14.** If a partnership incurs a penalty under any of sections 1079.8.13 to 1079.8.13.3, sections 1005 to 1014, 1034 to 1034.0.2, 1035 to 1044.0.2 and 1051 to 1055.1 apply, with the necessary modifications, in respect of the penalty as if the partnership were a corporation.”

(2) Subsection 1 has effect from 17 May 2019. However, where section 1079.8.14 of the Act applies before 24 September 2020, it is to be read as if “any of sections 1079.8.13 to 1079.8.13.3” were replaced by “section 1079.8.13 or 1079.8.13.3”.

**175.** Section 1079.8.15 of the Act is amended by replacing the portion of the first paragraph before subparagraph *a* by the following:

**“1079.8.15.** If, in relation to a taxation year of a particular taxpayer described in the second paragraph for which tax consequences under this Act result from a transaction with contractual protection, a transaction involving conditional remuneration, a confidential transaction or a specified transaction, a taxpayer who carried out the transaction or a member of the partnership that carried out the transaction fails to send, in accordance with any of sections 1079.8.5 to 1079.8.6.2, an information return within the time limit provided for in section 1079.8.10 or 1079.8.10.1, as the case may be, in respect of the transaction, the Minister may, despite the expiry of the time limits provided for in section 1010, redetermine the tax, interest and penalties or any other amount, under this Act, and make a redetermination, reassessment or additional assessment for the taxation year in respect of the particular taxpayer”.

**176.** (1) The Act is amended by inserting the following section after section 1079.8.15:

**“1079.8.15.1.** If a particular taxpayer is a party to a nominee contract entered into in the course of a transaction or is a member of a partnership that is a party to such a contract and if, in relation to a taxation year of the particular taxpayer for which tax consequences under this Act result from the transaction, the particular taxpayer fails to send, in accordance with section 1079.8.6.4, an information return in respect of the contract and the transaction, the Minister may, despite the expiry of the time limits provided for in section 1010, redetermine the tax, interest and penalties or any other amount, under this Act and make a redetermination, reassessment or additional assessment for the taxation year in respect of the particular taxpayer

(a) on or before the day that is three years after the day on which an information return containing the information required by section 1079.8.6.4 is sent to the Minister in respect of the transaction, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the period referred to in paragraph *a* of subsection 2 of section 1010;

(b) on or before the day that is four years after the day referred to in subparagraph *a*, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the period referred to in paragraph *a.0.1* of subsection 2 of section 1010;

(c) on or before the day that is six years after the day referred to in subparagraph *a*, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the first period referred to in paragraph *a.1* of subsection 2 of section 1010 and if any of the conditions in subparagraphs *i* to *vii* of that paragraph *a.1* is applicable in respect of the transaction; or

(d) on or before the day that is seven years after the day referred to in subparagraph *a*, if the period for which the Minister could, before the expiry of the time limits provided for in section 1010, make a reassessment or an additional assessment in respect of the particular taxpayer is the second period referred to in paragraph *a.1* of subsection 2 of section 1010 and if any of the conditions in subparagraphs *i* to *vii* of that paragraph *a.1* is applicable in respect of the transaction.

However, the Minister may, in respect of a taxation year for which tax consequences under this Act result from a transaction referred to in the first paragraph, make a reassessment or an additional assessment under the first paragraph only to the extent that the reassessment or additional assessment may reasonably be considered to relate to those tax consequences.”

(2) Subsection 1 applies in respect of a nominee contract entered into after 16 May 2019, or before 17 May 2019 where the tax consequences of the transaction in the course of which the nominee contract was entered into continue after 16 May 2019.

**177.** (1) Section 1079.13.1 of the Act is amended by replacing the second paragraph by the following paragraph:

“However, the first paragraph does not apply if the person filed an information return in respect of the transaction, or series of transactions that includes the transaction, in accordance with any of sections 1079.8.5 to 1079.8.6.2, 1079.8.7 and 1079.8.7.1.”

(2) Subsection 1 has effect from 17 May 2019. However, where section 1079.13.1 of the Act applies

(1) before 18 September 2019, it is to be read as if “, 1079.8.7 and 1079.8.7.1” in the second paragraph were replaced by “and 1079.8.7”; and

(2) before 24 September 2020, it is to be read as if “1079.8.6.2” in the second paragraph were replaced by “1079.8.6.1”.

**178.** (1) Section 1079.15.1 of the Act is amended by replacing the portion before subparagraph *b* of the first paragraph by the following:

**“1079.15.1.** If section 1079.10 applies to a person in relation to a transaction and the person did not file an information return in accordance with any of sections 1079.8.5 to 1079.8.6.2 and 1079.8.7, in respect of the transaction or series of transactions that includes the transaction, the Minister may, despite the expiry of the time limit provided for, in respect of the person, in paragraph *a* or *a.0.1* of subsection 2 of section 1010, determine the tax consequences to the person, the interest and the penalties, under this Act, and make a reassessment or an additional assessment,

(*a*) on or before the day that is six years after the day referred to, for the taxation year concerned, in paragraph *a* of subsection 2 of section 1010 or, if the transaction or series of transactions must be disclosed as required by any of sections 1079.8.5 to 1079.8.6.2, the day, if it is later, on which the information return containing the information required by section 1079.8.9 is sent to the Minister in respect of the transaction or series of transactions; or”.

(2) Subsection 1 has effect from 17 May 2019. However, where section 1079.15.1 of the Act applies before 24 September 2020, it is to be read as if “1079.8.6.2” were replaced wherever it appears by “1079.8.6.1”.

**179.** Section 1079.15.1.1 of the Act is amended by replacing “1079.8.6.1” and “the taxpayer” in the first paragraph by “1079.8.6.2” and “the person”, respectively.

**180.** (1) The Act is amended by inserting the following Title before Title I.1 of Book XI of Part I:

**“TITLE I.0.1**

**“SHAM TRANSACTION**

**“1082.0.1.** For the purposes of sections 1082.0.1 to 1082.0.5,

“adviser” has the meaning assigned by section 1079.8.1;

“promoter” has the meaning assigned by section 1079.9;

“transaction” has the meaning assigned by section 1079.8.1.

For the purposes of this Title, the rules set out in section 1079.9.1 apply for the purpose of determining whether, at a particular time, a person or a partnership is associated with, or related to, another person or partnership.

**“1082.0.2.** Where the Minister determines or redetermines the tax payable under this Act by a person for a taxation year for which tax consequences under this Act result from a sham transaction and makes an assessment, a reassessment or an additional assessment in respect of the taxation year concerned, the person incurs a penalty equal to the greater of \$25,000 and 50% of the excess amount that would be determined for the year, in respect of the person, under the first paragraph of section 1049 if a reference, in that first paragraph, to a false statement or an omission were replaced by a reference to a sham transaction.

**“1082.0.3.** Where the Minister determines or redetermines the tax payable under this Act by a particular person for a taxation year for which tax consequences under this Act result from a sham transaction and makes an assessment, a reassessment or an additional assessment in respect of the taxation year concerned, the promoter of the transaction, or the adviser in respect of the transaction, incurs a penalty equal to 100% of

(a) if the transaction is carried out by the particular person, the aggregate of all amounts each of which is a consideration that the promoter or adviser, or a person or partnership related to or associated with the promoter or adviser, has received or is entitled to receive, directly or indirectly, from any person or partnership in respect of the transaction; or

(b) if the transaction is carried out by a partnership of which the particular person is a member, the amount that is the agreed proportion of the aggregate referred to in subparagraph *a* in respect of the particular person for the partnership’s fiscal period in which the transaction is carried out.

Where an assessment, a reassessment or an additional assessment referred to in the first paragraph is cancelled in consequence of an objection, an appeal or a summary appeal, as the case may be, the Minister shall, despite the expiry of the time limits provided for in section 1010, make a reassessment and redetermine the interest and penalties payable by the promoter or the adviser of the transaction, under the first paragraph, in order to take the decision or judgment into account.

Section 1079.13.3 applies, with the necessary modifications, to the determination of a penalty incurred under this section in respect of a sham transaction.

Where a partnership incurs a penalty under this section, sections 1005 to 1014, 1034 to 1034.0.2, 1035 to 1044.0.2 and 1051 to 1055.1 apply, with the necessary modifications, in respect of the penalty as if the partnership were a corporation.

**“1082.0.4.** The Minister may, despite the expiry of the time limit provided for in paragraph *a* or *a.0.1* of subsection 2 of section 1010, in respect of a person described in the second paragraph, redetermine the tax, interest and penalties payable under this Act, and make a reassessment or an additional assessment, in respect of that person, for a taxation year for which tax consequences under this Act result from a sham transaction,

(*a*) on or before the day that is six years after the day referred to, for the taxation year concerned, in paragraph *a* of subsection 2 of section 1010; or

(*b*) on or before the day that is seven years after the day determined in subparagraph *a* if, at the end of the taxation year concerned, the person is a mutual fund trust or a corporation other than a Canadian-controlled private corporation.

The person to whom the first paragraph refers is

(*a*) a person who is a party to the sham transaction;

(*b*) a person who is a member of a partnership that is a party to the sham transaction, at the end of the partnership’s fiscal period that ends in the taxation year;

(*c*) a corporation that is associated with the person described in subparagraph *a* or with the partnership described in subparagraph *b*, at the time the sham transaction is carried out;

(*d*) a corporation that is associated with a person who is a member of a partnership that is a party to the sham transaction, at the time the transaction is carried out;

(*e*) a person who is related to the person described in subparagraph *a* or to the partnership described in subparagraph *b*, at the time the sham transaction is carried out; or

(*f*) a person who is related to a person who is a member of a partnership that is a party to the sham transaction, at the time the transaction is carried out.

However, the Minister may, in respect of a taxation year for which tax consequences under this Act result from a sham transaction, make a reassessment or an additional assessment, under the first paragraph, only to the extent that the reassessment or additional assessment may reasonably be considered to relate to the transaction.

**“1082.0.5.** Where tax consequences under this Act result, for a taxation year of a taxpayer, from a sham transaction and a formal demand relating to an amount that may be owed by a taxpayer under this Act, in respect of the transaction, has been notified in accordance with the third paragraph of section 39 of the Tax Administration Act (chapter A-6.002) to a person regarding the filing of information, additional information or documents, the time limit described in paragraph *a* or *a.0.1* of subsection 2 of section 1010 or in section 1082.0.4, as the case may be, for determining or redetermining the tax, interest and penalties and for making a reassessment or an additional assessment, in respect of the taxation year concerned, in relation to the tax consequences to the taxpayer that are attributable to the sham transaction, is suspended for the period that begins on the day the application for authorization provided for in the third paragraph of that section 39 is filed and ends on the day on which that application is finally settled and on which, where the validity of the formal demand is confirmed, the information, additional information or documents, as the case may be, are filed in accordance with that section 39.

However, the Minister may, after applying the first paragraph, make a reassessment or an additional assessment beyond the period that, in respect of a taxpayer, is referred to in paragraph *a* or *a.0.1* of subsection 2 of section 1010 or in section 1082.0.4, because of the sham transaction in relation to the taxpayer, only to the extent that the reassessment or additional assessment may reasonably be considered to relate to the transaction.”

(2) Subsection 1, where it enacts sections 1082.0.1 to 1082.0.4 of the Act, applies in respect of a transaction carried out after 16 May 2019. However, it does not apply in respect of a transaction which is part of a series of transactions that began before 17 May 2019 and was completed before 1 August 2019; in that respect, section 1.5 of the Act does not apply for the purpose of determining the date on which a series of transactions began.

(3) Subsection 1, where it enacts section 1082.0.5 of the Act, applies in respect of a formal demand for which an application for authorization is filed after 17 May 2019.

**181.** Section 1090.2 of the Act is replaced by the following section:

**“1090.2.** For the purposes of subparagraph *l* of the first paragraph of sections 1089 and 1090, and section 1090.1, property that is an immovable or a timber resource property includes, at a particular time, a right in the property and an option in respect of the property, even if, in the case of an immovable, the property is not in existence at that time.”

**182.** Section 1117 of the Act is amended by replacing subparagraphs *i* and *ii* of paragraph *b* by the following subparagraphs:

“*i.* the investing of its funds in property, other than immovable property or a right in immovable property,

“ii. the acquiring, holding, maintaining, improving, leasing or managing of any immovable property, or any right in immovable property, that is capital property of the corporation, or”.

**183.** (1) The Act is amended by inserting the following Part after section 1129.4.32:

**“PART III.1.8**

**“SPECIAL TAX RELATING TO THE ADDITIONAL DEDUCTION OF 35% OR 60% IN RESPECT OF CERTAIN INVESTMENTS**

**“1129.4.33.** Where a taxpayer has deducted, in respect of a property, an amount in computing the taxpayer’s income under section 156.7.4 for a taxation year ending before all the conditions prescribed in respect of the property have been met and, in a subsequent taxation year, an event occurs that results in any of those conditions not being able to be met, the taxpayer shall pay a tax for that subsequent taxation year that is equal to the aggregate of all amounts each of which is the amount by which the tax payable by the taxpayer under Part I for a preceding taxation year for which the taxpayer deducted an amount in computing the taxpayer’s income under section 156.7.4 in respect of the property is exceeded by the tax that the taxpayer would have had to pay under Part I for that preceding taxation year if such an amount had not been deducted.

**“1129.4.34.** Where a partnership has deducted, in respect of a property, an amount in computing its income under section 156.7.4 for a fiscal period ending before all the conditions prescribed in respect of the property have been met and, in a subsequent fiscal period, an event occurs that results in any of those conditions not being able to be met, each taxpayer who was a member of the partnership at the end of a preceding fiscal period for which the partnership deducted such an amount in respect of the property shall pay a tax, for the taxpayer’s taxation year in which that subsequent fiscal period ends, that is equal to the aggregate of all amounts each of which is the amount by which the tax payable by the taxpayer under Part I for a taxation year in which such a preceding fiscal period ends is exceeded by the tax that the taxpayer would have had to pay for that taxation year under Part I if no amount had been deducted by the partnership under section 156.7.4 in respect of the property.

**“1129.4.35.** Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.”

(2) Subsection 1 has effect from 29 March 2017.

**184.** (1) The Act is amended by inserting the following Part after section 1129.45.3.5.15:

**“PART III.10.1.1.4**

**“SPECIAL TAX RELATING TO THE CREDIT TO FOSTER THE RETENTION OF EXPERIENCED WORKERS**

**“1129.45.3.5.16.** In this Part, “qualified expenditure” and “specified expenditure” have the meaning assigned by section 1029.8.36.59.49.

**“1129.45.3.5.17.** Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.59.50, on account of its tax payable under Part I for a particular taxation year, in relation to its qualified expenditure or its specified expenditure, shall pay the tax computed under the second paragraph for a subsequent taxation year (in this section referred to as the “repayment year”) in which an amount relating to the qualified expenditure or the specified expenditure, as the case may be, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.59.50 or 1029.8.36.59.54, in relation to the qualified expenditure or the specified expenditure, as the case may be, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.59.50 or 1029.8.36.59.54, in relation to the qualified expenditure or the specified expenditure, as the case may be, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the qualified expenditure or the specified expenditure, as the case may be, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the qualified expenditure or the specified expenditure, as the case may be.

**“1129.45.3.5.18.** Every corporation that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.36.59.50, on account of the corporation’s tax payable under Part I for a particular taxation year, in relation to a qualified expenditure or specified expenditure of the partnership for the partnership’s particular fiscal period that ends in that particular year, shall pay the tax computed under the second paragraph for the taxation year in which ends a subsequent fiscal period



of the partnership (in this section referred to as the “fiscal period of repayment”) in which an amount relating to the qualified expenditure or the specified expenditure, as the case may be, is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.59.50, 1029.8.36.59.55 and 1029.8.36.59.56, in relation to the qualified expenditure or the specified expenditure, as the case may be, if the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister under any of sections 1029.8.36.59.50, 1029.8.36.59.55 and 1029.8.36.59.56, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the qualified expenditure or the specified expenditure, as the case may be, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the qualified expenditure or the specified expenditure, as the case may be, were refunded, paid or allocated in the particular fiscal period, and

ii. the agreed proportion in respect of the corporation for that preceding fiscal period were the same as that for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the corporation would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the qualified expenditure or the specified expenditure, as the case may be, if the agreed proportion in respect of the corporation for the partnership’s fiscal period that ends in the preceding taxation year were the same as that for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph a of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated by the reciprocal of the agreed proportion in respect of the corporation for the fiscal period of repayment.

**“1129.45.3.5.19.** For the purposes of Part I, except Division II.6.5.8 of Chapter III.1 of Title III of Book IX, the following rules are taken into consideration:

(a) tax paid to the Minister by a corporation at any time, under section 1129.45.3.5.17, in relation to its qualified expenditure or its specified expenditure, is deemed to be an amount of assistance repaid by the corporation at that time in respect of that expenditure, pursuant to a legal obligation; and

(b) tax paid to the Minister by a corporation at any time, under section 1129.45.3.5.18, in relation to the qualified expenditure or the specified expenditure of a partnership referred to in that section, is deemed to be an amount of assistance repaid by the partnership at that time in respect of that expenditure, pursuant to a legal obligation.

**“1129.45.3.5.20.** Unless otherwise provided in this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply to this Part, with the necessary modifications.”

(2) Subsection 1 applies from the taxation year 2019.

**185.** Section 1129.70 of the Act is amended, in the first paragraph,

(1) by replacing “a real or”, “means real or” and “the real or” by “an”, “means an” and “the”, respectively, wherever they appear in the following provisions:

— paragraph *a* of the definition of “qualified property”;

— the definition of “eligible resale property”;

— paragraph *d* of the definition of “real estate investment fund”;

(2) by striking out “real or” wherever it appears in the following provisions:

— paragraph *b* of the definition of “qualified property”;

— subparagraph *i* of paragraph *c* of the definition of “qualified property”;

— subparagraphs *i* and *iii* of paragraph *b* of the definition of “real estate investment fund”;

— subparagraphs *i* to *iii* of paragraph *c* of the definition of “real estate investment fund”;

— the portion of the definition of “rent from real or immovable properties” before paragraph *c*;

(3) by replacing the portion of the definition of “Canadian real, immovable or resource property” before paragraph *b* by the following:

““Canadian immovable or resource property” means

(*a*) a property that would, but for the definition of “immovable property”, be an immovable property situated in Canada;”;

(4) by replacing paragraph *e* of the definition of “Canadian real, immovable or resource property” by the following paragraph:

“(e) any right in or to a property described in any of paragraphs *a* to *d*;”;

(5) by replacing paragraph *b* of the definition of “non-portfolio property” by the following paragraph:

“(b) a Canadian immovable or resource property, if at any time in the year the total fair market value of all properties held by the particular entity that are Canadian immovable or resource properties is greater than the amount that is 50% of the equity value of the particular entity; or”;

(6) by replacing the portion of the definition of “real or immovable property” before paragraph *a* by the following:

““immovable property” of a taxpayer includes a security held by the taxpayer that is a security of a trust that satisfies the conditions set out in paragraphs *a* to *d* of the definition of “real estate investment trust” or a security of another entity that would, if it were a trust, satisfy those conditions, or a real right in an immovable, other than a right to a rental or royalty described in paragraph *d* or *d.1* of section 370, but does not include a depreciable property, other than”.

**186.** Section 1129.70.1 of the Act is amended by replacing “real or immovable properties” wherever it appears in subparagraph *c* of the first paragraph by “immovable properties”.

**187.** Section 1129.70.2 of the Act is amended

(1) by replacing “real or immovable property” wherever it appears in paragraph *a* by “immovable property”;

(2) by replacing “a real or immovable property” and “the real or immovable property” wherever they appear in the portion of paragraph *b* before subparagraph ii by “an immovable property” and “the immovable property”, respectively.

**188.** The Act is amended by replacing “an interest”, “or interest” and “the interest” by “a right”, “or right” and “the right”, respectively, wherever they appear in the following provisions:

- (1) subparagraph viii of paragraph *a* of section 92.7;
- (2) the portion of section 218 before paragraph *a* and paragraphs *c* and *d* of that section;
- (3) subparagraph *b* of the first paragraph of section 220;
- (4) the first paragraph of section 280.3;
- (5) subparagraph i of subparagraph *b* of the first paragraph of section 844.4 and subparagraphs 1 and 2 of subparagraph ii of that subparagraph *b*.

**189.** The Act is amended by replacing “, or for any interest therein or right thereto”, “any interest in or right to” and “or any interest in any such shares or right thereto” by “or any right in or to a share”, “any right in or to” and “, or any right in or to such a share,”, respectively, wherever they appear in the following provisions:

- (1) paragraph *a* of section 396;
- (2) paragraph *a* of section 409;
- (3) paragraph *c* of section 418.2;
- (4) the portion of section 419 before paragraph *a*.

**190.** The Act is amended by replacing “real property” by “immovable property” in the following provisions:

- (1) the portion of section 97.2 before paragraph *a*;
- (2) section 97.3;
- (3) section 146;
- (4) the first paragraph of section 153.

**191.** The Act is amended by replacing “interest in or right to” by “right in or to” in the following provisions:

- (1) subparagraph i of subparagraph *a* of the third paragraph of section 418.16;
- (2) subparagraph 1 of subparagraph i of subparagraph *a* of the third paragraph of section 418.17;
- (3) subparagraph i of subparagraph *a* of the third paragraph of section 418.18;
- (4) subparagraph iii of subparagraph *c* of the first paragraph of section 418.20.

ACT RESPECTING THE SECTORAL PARAMETERS OF CERTAIN  
FISCAL MEASURES

**192.** (1) Section 8.4 of Schedule E to the Act respecting the sectoral parameters of certain fiscal measures (chapter P-5.1) is amended by replacing “subparagraph *c*” in the second paragraph by “subparagraph *c* or *c.1*”.

(2) Subsection 1 has effect from 21 March 2019.

**193.** (1) Section 8.6 of Schedule E to the Act is amended

(1) by replacing “*b* to *d*” in subparagraph *a* of subparagraph 3 of the first paragraph by “*b*, *c* and *d*”;

(2) by replacing “*c* and *d*” in subparagraph *b* of subparagraph 3 of the first paragraph by “*c* to *d*”;

(3) by replacing subparagraph *c* of subparagraph 3 of the first paragraph by the following subparagraph:

“(c) \$75,000,000, if

i. it is determined that the project must be carried out in a designated region,

ii. the corporation or partnership either files its application for the initial qualification certificate after 10 February 2015 and before 22 March 2019 or, where it files its application before 11 February 2015 and the carrying out of the project has not yet begun before that date, elects, in accordance with the seventh paragraph, to have the threshold provided for in this subparagraph *c* apply, and

iii. where the carrying out of the project has not yet begun before 22 March 2019, the corporation or partnership does not elect to have the threshold provided for in subparagraph *c.1* apply;”;

(4) by inserting the following subparagraph after subparagraph *c* of subparagraph 3 of the first paragraph:

“(c.1) \$50,000,000, if it is determined that the project must be carried out in a designated region and the corporation or partnership either files its application for the initial qualification certificate after 21 March 2019 or, where it files its application before 22 March 2019 and the carrying out of the project has not yet begun before that date, elects, in accordance with the seventh paragraph, to have the threshold provided for in this subparagraph *c.1* apply, or”;

(5) by replacing “if subparagraph *c* does not apply” in subparagraph *d* of subparagraph 3 of the first paragraph by “if neither subparagraph *c* nor *c.1* applies”;

(6) by replacing the seventh paragraph by the following paragraph:

“The corporation or partnership makes any of the elections provided for in subparagraphs *b*, *c*, *c.1* and *d* of subparagraph 3 of the first paragraph by notifying the Minister in writing before the day on which it files its application for the first annual certificate in respect of the investment project, but on or before 20 November 2015 in the case of an election provided for in that subparagraph *b*, 20 November 2017 in the case of either of the elections provided for in those subparagraphs *c* and *d*, or 31 December 2020 in the case of an election provided for in that subparagraph *c.1*.”

(2) Subsection 1 has effect from 21 March 2019.

**194.** (1) Section 8.8 of Schedule E to the Act is amended by inserting the following subparagraph after subparagraph *c* of subparagraph 2 of the second paragraph:

“(c.1) \$50,000,000, if subparagraph *c.1* of that subparagraph 3 applies to the project, or”.

(2) Subsection 1 has effect from 21 March 2019.

**195.** (1) Section 8.9 of Schedule E to the Act is amended, in the first paragraph,

(1) by replacing “subparagraph *c*” in subparagraphs 1 and 3 by “subparagraph *c* or *c.1*”;

(2) by inserting the following subparagraph after subparagraph *c* of subparagraph 2:

“(c.1) \$50,000,000, if subparagraph *c.1* of that subparagraph 3 applies to the project, or”.

(2) Subsection 1 has effect from 21 March 2019.

#### ACT RESPECTING THE QUÉBEC SALES TAX

**196.** (1) Section 1 of the Act respecting the Québec sales tax (chapter T-0.1) is amended

(1) by replacing paragraph 1 of the definition of “pension entity” by the following paragraph:

“(1) a trust governed by the pension plan;”;

(2) by inserting the following definition in alphabetical order:

““master pension entity” of a pension plan means a person that is not a pension entity of the pension plan and that is

(1) a corporation described in paragraph *c.2* of section 998 of the Taxation Act, one or more shares of which are owned by a pension entity of the pension plan; or

(2) a master trust, within the meaning of the regulations made under paragraph *c.4* of section 998 of the Taxation Act, one or more units of which are owned by a pension entity of the pension plan;”;

(3) by replacing paragraph 1 of the definition of “taxi business” by the following paragraph:

“(1) a business carried on in Québec of transporting passengers by taxi or other similar vehicle for fares that are regulated by the Act respecting transportation services by taxi (chapter S-6.01); or”;

(4) by inserting the following definition in alphabetical order:

““master pension factor” has the meaning assigned by section 289.2;”;

(5) by replacing paragraph 1 of the definition of “pension plan” by the following paragraph:

“(1) governs a trust;”;

(6) by inserting the following subparagraph after subparagraph *d* of paragraph 1 of the definition of “investment plan”:

“(d.1) a tax-free savings account;”;

(7) by inserting the following subparagraph after subparagraph *f* of paragraph 1 of the definition of “investment plan”:

“(f.1) a registered disability savings plan;”;

(8) by striking out paragraph 4 of the definition of “investment plan”;

(9) by replacing paragraph 5 of the definition of “investment plan” by the following paragraph:

“(5) a prescribed person or a person of a prescribed class;”;

(10) by replacing the portion of the definition of “series” before paragraph 1 by the following:

““series” means, except for the purposes of section 332.1,”.

(2) Paragraphs 1 and 5 of subsection 1 have effect from 23 July 2016.

(3) Paragraph 2 of subsection 1 has effect from 23 September 2009.

(4) Paragraph 3 of subsection 1 has effect from 1 July 2017.

(5) Paragraph 4 of subsection 1 has effect from 22 July 2016.

(6) Paragraphs 6 to 9 of subsection 1 apply to a taxation year of a person that begins after 22 July 2016.

(7) Paragraph 10 of subsection 1 has effect from 23 March 2016.

**197.** (1) The Act is amended by inserting the following section after section 9:

**“9.1.** Where an arrangement is deemed to be a trust under section 7.10 or 7.10.1 of the Taxation Act (chapter I-3), the following rules apply:

(1) the arrangement is deemed to be a trust;

(2) property subject to rights and obligations under the arrangement is deemed to be held in trust and not otherwise;

(3) in the case of an arrangement referred to in section 7.10 of that Act, a person that has a right (whether immediate or future and whether absolute or contingent) to receive all or part of the income or capital in respect of property that is referred to in that section is deemed to be beneficially interested in the trust; and

(4) in the case of an arrangement referred to in section 7.10.1 of that Act, any property contributed at any time to the arrangement by an annuitant, a holder or a subscriber of the arrangement is deemed to have been transferred, at that time, to the trust by the annuitant, the holder or the subscriber, as the case may be.”

(2) Subsection 1 has effect from 23 July 2016.

**198.** (1) Section 42.0.1.2 of the Act is amended by replacing “à titre gratuit” in the portion before paragraph 1 in the French text by “sans contrepartie”.

(2) Subsection 1 has effect from 14 December 2017.

**199.** (1) Section 162 of the Act is amended by replacing paragraphs 6 to 9 by the following paragraphs:

“(6) a supply of a service of providing information under the Access to Information Act (Revised Statutes of Canada, 1985, chapter A-1), the Privacy Act (Revised Statutes of Canada, 1985, chapter P-21) or the Act respecting Access to documents held by public bodies and the Protection of personal information (chapter A-2.1);



“(7) a supply of a law enforcement service or fire safety service made to a government or a municipality or to a commission or other body established by a government or municipality;

“(8) a supply of a service of collecting garbage, including recyclable materials; and

“(9) a supply of a right to deposit refuse at a refuse disposal site.”

(2) Subsection 1 has effect from 14 December 2017.

**200.** (1) Section 244.1 of the Act is amended by replacing “« mandataire désigné »” in subparagraph *a* of paragraph 1 in the French text by “« mandataire de la Couronne désigné »”.

(2) Subsection 1 has effect from 14 December 2017.

**201.** (1) Section 267.1 of the Act is amended by replacing “« mandataire désigné »” in the French text by “« mandataire de la Couronne désigné »”.

(2) Subsection 1 has effect from 14 December 2017.

**202.** (1) Section 279.3 of the Act is amended by replacing the portion before subparagraph 1 of the first paragraph by the following:

“**279.3.** For the purpose of determining an input tax refund or an eligible amount, within the meaning of section 402.13, of a qualifying taxpayer, where an amount (in this section referred to as a “qualifying expenditure”) of qualifying consideration, or of an external charge, of the qualifying taxpayer in respect of an outlay made, or expense incurred, outside Canada that is attributable to the whole or part of a property (in this section referred to as an “attributable property”) or of a qualifying service (in this section referred to as an “attributable service”) is greater than zero and, during a reporting period of the qualifying taxpayer during which the qualifying taxpayer is a registrant, tax under section 18 becomes payable by the qualifying taxpayer or is paid by the qualifying taxpayer without having become payable, in respect of the qualifying expenditure, the following rules apply:”

(2) Subsection 1 has effect from 1 January 2013.

(3) If, upon the determination by the Minister of Revenue of the amount of a rebate to which a pension entity is entitled under section 402.14 of the Act, for a claim period, a particular amount was not included as an eligible amount (within the meaning of section 402.13 of the Act) for the claim period in determining the amount of the rebate and if, as a result of the application of subsection 1, the particular amount is an eligible amount for the claim period, the pension entity is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the

purpose of taking into account that the particular amount is an eligible amount for the claim period. On receipt of the request, the Minister shall with all due dispatch

(1) consider the request; and

(2) make an assessment or reassessment of the rebate under section 402.14 of the Act for the claim period, and of any interest, penalty or other obligation of the pension entity, solely for the purpose of taking into account that the particular amount is an eligible amount for the claim period.

(4) If, upon the determination by the Minister of Revenue of the amount of any fees, interest and penalties for which a qualifying employer (within the meaning of section 402.13 of the Act) of a pension plan is liable under the Act, in respect of its net tax for a reporting period that includes the day on which an election—made jointly under any of sections 402.18, 402.19 and 402.19.1 of the Act by the qualifying employer and a pension entity of the pension plan—is filed with the Minister of Revenue, an amount was not deducted under any of sections 402.18, 402.19 and 402.19.1 of the Act and if, as a result of the application of subsection 1, the amount may be deducted under any of sections 402.18, 402.19 and 402.19.1 of the Act in determining the net tax for the reporting period, the qualifying employer is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that the amount may be deducted under any of sections 402.18, 402.19 and 402.19.1 of the Act in determining the net tax for the reporting period. On receipt of the request, the Minister shall with all due dispatch

(1) consider the request; and

(2) make an assessment or reassessment of the net tax for the reporting period, and of any interest, penalty or other obligation of the qualifying employer, solely for the purpose of taking into account that the amount may be deducted under any of sections 402.18, 402.19 and 402.19.1 of the Act in determining the net tax for the reporting period.

**203.** (1) Section 279.4 of the Act is amended by replacing the portion before subparagraph 1 of the first paragraph by the following:

**“279.4.** For the purpose of determining an input tax refund or an eligible amount, within the meaning of section 402.13, of a qualifying taxpayer, where tax (in this section referred to as the “internal tax”) under section 18 becomes payable by the qualifying taxpayer or is paid by the qualifying taxpayer without having become payable, in respect of an internal charge and the internal charge is determined based in whole or in part on the inclusion of an outlay made, or an expense incurred, outside Canada by the qualifying taxpayer that is attributable to the whole or part of a property (in this section referred to as an “internal property”) or of a qualifying service (in this section referred to as an “internal service”), the following rules apply:”

(2) Subsection 1 has effect from 1 January 2013.

(3) If, upon the determination by the Minister of Revenue of the amount of a rebate to which a pension entity is entitled under section 402.14 of the Act, for a claim period, a particular amount was not included as an eligible amount (within the meaning of section 402.13 of the Act) for the claim period in determining the amount of the rebate and if, as a result of the application of subsection 1, the particular amount is an eligible amount for the claim period, the pension entity is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that the particular amount is an eligible amount for the claim period. On receipt of the request, the Minister shall with all due dispatch

(1) consider the request; and

(2) make an assessment or reassessment of the rebate under section 402.14 of the Act for the claim period, and of any interest, penalty or other obligation of the pension entity, solely for the purpose of taking into account that the particular amount is an eligible amount for the claim period.

(4) If, upon the determination by the Minister of Revenue of the amount of any fees, interest and penalties for which a qualifying employer (within the meaning of section 402.13 of the Act) of a pension plan is liable under the Act, in respect of its net tax for a reporting period that includes the day on which an election—made jointly under any of sections 402.18, 402.19 and 402.19.1 of the Act by the qualifying employer and a pension entity of the pension plan—is filed with the Minister of Revenue, an amount was not deducted under any of sections 402.18, 402.19 and 402.19.1 of the Act and if, as a result of the application of subsection 1, the amount may be deducted under any of sections 402.18, 402.19 and 402.19.1 of the Act in determining the net tax for the reporting period, the qualifying employer is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that the amount may be deducted under any of sections 402.18, 402.19 and 402.19.1 of the Act in determining the net tax for the reporting period. On receipt of the request, the Minister shall with all due dispatch

(1) consider the request; and

(2) make an assessment or reassessment of the net tax for the reporting period, and of any interest, penalty or other obligation of the qualifying employer, solely for the purpose of taking into account that the amount may be deducted under any of sections 402.18, 402.19 and 402.19.1 of the Act in determining the net tax for the reporting period.

**204.** (1) Section 289.2 of the Act is amended

(1) by replacing paragraphs 1 and 2 of the definition of “pension activity” in the first paragraph by the following paragraphs:

“(1) the establishment, management or administration of the pension plan, of a pension entity of the pension plan or of a master pension entity of the pension plan; or

“(2) the management or administration of assets in respect of the pension plan, including assets held by a pension entity or master pension entity of the pension plan;”;

(2) by replacing the portion of the definition of “excluded activity” in the first paragraph before subparagraph *a* of paragraph 4.1 by the following:

““excluded activity”, in respect of a pension plan, means an activity undertaken exclusively

(1) for compliance by a participating employer of the pension plan as an issuer, or prospective issuer, of securities with reporting requirements under a law of Québec, another province, the Northwest Territories, the Yukon Territory, Nunavut or Canada in respect of the regulation of securities;

(2) for evaluating the feasibility or financial impact on a participating employer of the pension plan of establishing, altering or winding-up the pension plan, other than an activity that relates to the preparation of an actuarial report in respect of the plan required under a law of Québec, another province, the Northwest Territories, the Yukon Territory, Nunavut or Canada;

(3) for evaluating the financial impact of the pension plan on the assets and liabilities of a participating employer of the pension plan;

(4) for negotiating changes to the benefits under the pension plan with a union or similar organization of employees;

(4.1) if the pension plan is a pooled registered pension plan, for compliance by a participating employer of the pension plan as an administrator of the pension plan with requirements under the Pooled Registered Pension Plans Act (Statutes of Canada, 2012, chapter 16) or a similar law of a province, the Northwest Territories, the Yukon Territory or Nunavut, provided the activity is undertaken exclusively for the purpose of making a taxable supply of a service to a pension entity of the pension plan that is to be made”;

(3) by inserting the following paragraph after paragraph 4.1 of the definition of “excluded activity” in the first paragraph:

“(4.2) in relation to a part of the pension plan that is a defined contribution pension plan or that is a defined benefits pension plan, if no pension entity of the pension plan administers that part of the pension plan or holds assets in respect of that part of the pension plan; or”;

(4) by replacing paragraph 5 of the definition of “excluded activity” in the first paragraph by the following paragraph:

“(5) for prescribed purposes;”;

(5) by inserting the following definition in alphabetical order in the first paragraph:

““master pension factor”, in respect of a pension plan for a fiscal year of a master pension entity, means the amount (expressed as a percentage) determined by the formula

$A/B$ ;”;

(6) by inserting the following definition in alphabetical order in the first paragraph:

““master pension group” in respect of a particular person and another person means the group of one or more pension plans that consists of every pension plan that meets the following conditions:

- (1) the particular person is a participating employer of the pension plan; and
- (2) the other person is a master pension entity of the pension plan;”;

(7) by inserting the following definitions in alphabetical order in the first paragraph:

““defined benefits pension plan” means the part of a pension plan that is in respect of benefits under the plan that are determined in accordance with a formula set forth in the plan and under which the employer contributions are not determined in accordance with a formula set forth in the plan;

““defined contribution pension plan” means the part of a pension plan that is not a defined benefits pension plan;”;

(8) by adding the following definition at the end of the first paragraph:

““specified resource” means property or a service that is acquired by a person for the purpose of making a supply of all or part of the property or service to a pension entity or a master pension entity of a pension plan of which the person is a participating employer.”;

(9) by inserting the following paragraph after the first paragraph:

“For the purposes of the formula in the definition of “master pension factor” in the first paragraph,

(1) A is the total value, on the first day of the fiscal year, of the shares or units of the master pension entity that are held by pension entities of the pension plan on that day; and

(2) B is the total value, on the first day of the fiscal year, of the shares or units of the master pension entity.”;

(10) by replacing both occurrences of “third paragraph” in subparagraph *a* of subparagraph 2 of the second paragraph by “fourth paragraph”;

(11) by replacing “second paragraph” in the portion of the third paragraph before subparagraph 1 by “third paragraph”.

(2) Paragraphs 1, 5, 6 and 8 to 11 of subsection 1 have effect from 22 July 2016.

(3) Paragraphs 2 to 4 and 7 of subsection 1 apply in respect of a fiscal year of a person that begins after 22 July 2016.

**205.** (1) Section 289.3 of the Act is amended by replacing paragraph 1 by the following paragraph:

“(1) for each pension entity and master pension entity of the pension plan, no tax would become payable under this Title in respect of the supply if

(*a*) the supply were made by the other person to the pension entity or to the master pension entity, as the case may be, and not to the particular person, and

(*b*) the pension entity or the master pension entity, as the case may be, and the other person were dealing at arm’s length; and”.

(2) Subsection 1 applies in respect of a fiscal year of a person that begins after 21 July 2016.

**206.** (1) Section 289.4 of the Act is amended by replacing the portion before paragraph 1 by the following:

“**289.4.** For the purposes of subdivision 2, if a person is a participating employer of a pension plan and the pension plan has,”.

(2) Subsection 1 applies in respect of a fiscal year of a person that begins after 21 July 2016.

**207.** (1) Section 289.5 of the Act is amended

(1) by replacing the portion before subparagraph 1 of the first paragraph by the following:

**“289.5.** If a person is both a registrant and a participating employer of a pension plan at any time in a fiscal year of the person (in this section referred to as the “particular fiscal year”) and is not a selected qualifying employer of the pension plan at that time, if the person acquires at that time a specified resource for the purpose of making a supply of all or part of the specified resource to a pension entity of the pension plan for consumption, use or supply by the pension entity in the course of pension activities in respect of the pension plan and if the specified resource is not an excluded resource of the person in respect of the pension plan, the following rules apply:”;

(2) by replacing subparagraph *b* of subparagraph 4 of the first paragraph by the following subparagraph:

“(b) except where the pension entity is a selected listed financial institution on the last day of the particular fiscal year, to have paid tax in respect of the supply referred to in subparagraph *a*, on that day, equal to the amount determined by the formula

C – D, and”;

(3) by replacing the portion of the second paragraph before subparagraph 1 by the following:

“For the purposes of the formulas in the first paragraph,”;

(4) by adding the following subparagraphs at the end of the second paragraph:

“(3) C is the amount of tax determined in accordance with subparagraph 3 of the first paragraph; and

“(4) D is the total of all amounts each of which is a part of the amount determined in accordance with subparagraph 3

(a) that is not included in determining the person’s net tax for the reporting period that includes the last day of the particular fiscal year, or

(b) that the person has recovered or is entitled to recover by way of rebate, refund or remission, or otherwise, under this or any other Act.”

(2) Paragraph 1 of subsection 1 applies in respect of a fiscal year of a person that begins after 21 July 2016.

(3) Paragraphs 2 to 4 of subsection 1 have effect from 23 September 2009, except

(1) for the purpose of determining an input tax refund of a pension entity if the input tax refund is claimed in a return filed under Chapter VIII of Title I of the Act before 23 July 2016 for a reporting period of the pension entity;

(2) in respect of a tax adjustment note issued under section 450.0.2 or 450.0.5 of the Act before 23 July 2016; and

(3) for the purpose of determining the pension rebate amount (within the meaning of section 402.13 of the Act) of a pension entity for a claim period of the pension entity if

(a) an application for a rebate under section 402.14 of the Act for the claim period is filed before 23 July 2016; or

(b) an election made under section 402.19.1 of the Act for the claim period is filed before 23 July 2016.

(4) However, where section 289.5 of the Act applies in respect of a fiscal year of a person that ends before 1 January 2013, subparagraph *b* of subparagraph 4 of the first paragraph of that section 289.5 is to be read as follows:

“(b) to have paid tax in respect of the supply referred to in subparagraph *a*, on the last day of the particular fiscal year, equal to the amount determined by the formula

C – D, and”.

**208.** (1) The Act is amended by inserting the following section after section 289.5:

**“289.5.1.** If a person that is a registrant acquires at any time in its fiscal year (in this section referred to as the “particular fiscal year”) a specified resource for the purpose of making a supply of all or part of the specified resource to a master pension entity for consumption, use or supply by the master pension entity in the course of pension activities in respect of any pension plan that is in the master pension group in respect of the person and the master pension entity at that time, if the person is not at that time a selected qualifying employer of any pension plan in the master pension group and if it is not the case that the specified resource is an excluded resource of the person in respect of any pension plan in the master pension group, the following rules apply:

(1) the person is deemed to have made a taxable supply of the specified resource or part on the last day of the particular fiscal year;



(2) tax in respect of the taxable supply referred to in subparagraph 1 is deemed to have become payable on the last day of the particular fiscal year and the person is deemed to have collected that tax on that day;

(3) the tax referred to in subparagraph 2 is deemed to be equal to the total of all amounts each of which is determined for each pension plan in the master pension group by the formula

$$A \times B \times C;$$

(4) for each pension plan in the master pension group, the specified pension entity of the pension plan is deemed for the purpose of determining an input tax refund of the specified pension entity and for the purposes of subdivision 6.6 of Division I of Chapter VII and sections 450.0.1 to 450.0.12,

(a) to have received a supply of the specified resource or part on the last day of the particular fiscal year,

(b) except where the specified pension entity is a selected listed financial institution on the last day of the particular fiscal year, to have paid tax in respect of the supply referred to in subparagraph *a*, on that day, equal to the amount determined by the formula

$$D - E, \text{ and}$$

(c) to have acquired the specified resource or part for consumption, use or supply in the course of its commercial activities to the same extent that the specified resource or part was acquired by the person for the purpose of making a supply of the specified resource or part to the master pension entity for consumption, use or supply by the master pension entity in the course of pension activities of the master pension entity that are commercial activities of the master pension entity.

For the purposes of the formulas in the first paragraph,

(1) A is the fair market value of the specified resource or part at the time it was acquired by the person;

(2) B is the provincial factor in respect of the pension plan for the particular fiscal year;

(3) C is the master pension factor in respect of the pension plan for the fiscal year of the master pension entity that includes the last day of the particular fiscal year;

(4) D is the amount of tax determined for the pension plan in accordance with subparagraph 3 of the first paragraph; and

(5) E is the total of all amounts each of which is a part of the amount determined in accordance with subparagraph 4

(a) that is not included in determining the person's net tax for the reporting period that includes the last day of the particular fiscal year, or

(b) that the person has recovered or is entitled to recover by way of rebate, refund or remission, or otherwise, under this or any other Act."

(2) Subsection 1 applies in respect of a fiscal year of a person that begins after 21 July 2016.

**209.** (1) Section 289.6 of the Act is amended

(1) by replacing subparagraph *b* of subparagraph 4 of the first paragraph by the following subparagraph:

“(b) except where the pension entity is a selected listed financial institution on the last day of the fiscal year, to have paid tax in respect of the supply referred to in subparagraph *a*, on that day, equal to the amount determined by the formula

C – D, and”;

(2) by replacing the portion of the second paragraph before subparagraph 1 by the following:

“For the purposes of the formulas in the first paragraph,”;

(3) by adding the following subparagraphs at the end of the second paragraph:

“(3) C is the amount of tax determined in accordance with subparagraph 3 of the first paragraph; and

“(4) D is the total of all amounts each of which is a part of the amount determined in accordance with subparagraph 3

(a) that is not included in determining the person's net tax for the reporting period that includes the last day of the fiscal year, or

(b) that the person has recovered or is entitled to recover by way of rebate, refund or remission, or otherwise, under this or any other Act.”

(2) Subsection 1 has effect from 23 September 2009, except

(1) for the purpose of determining an input tax refund of a pension entity if the input tax refund is claimed in a return filed under Chapter VIII of Title I of the Act before 23 July 2016 for a reporting period of the pension entity;

(2) in respect of a tax adjustment note issued under section 450.0.2 or 450.0.5 of the Act before 23 July 2016; and

(3) for the purpose of determining the pension rebate amount (within the meaning of section 402.13 of the Act) of a pension entity for a claim period of the pension entity if

(a) an application for a rebate under section 402.14 of the Act for the claim period is filed before 23 July 2016; or

(b) an election made under section 402.19.1 of the Act for the claim period is filed before 23 July 2016.

(3) However, where section 289.6 of the Act applies in respect of a fiscal year of a person that ends before 1 January 2013, subparagraph *b* of subparagraph 4 of the first paragraph of that section 289.6 is to be read as follows:

“(b) to have paid tax in respect of the supply referred to in subparagraph *a*, on the last day of the fiscal year, equal to the amount determined by the formula

C – D, and”.

**210.** (1) The Act is amended by inserting the following section after section 289.6:

**“289.6.1.** If a person that is a registrant consumes or uses at any time in a fiscal year (in this section referred to as the “particular fiscal year”) of the person an employer resource of the person for the purpose of making a supply of property or a service (in this section referred to as the “pension supply”) to a master pension entity for consumption, use or supply by the master pension entity in the course of pension activities in respect of any pension plan that is in the master pension group in respect of the person and the master pension entity at that time, if the person is not at that time a selected qualifying employer of any pension plan in the master pension group and if it is not the case that the employer resource is an excluded resource of the person in respect of any pension plan in the master pension group, the following rules apply:

(1) the person is deemed to have made a taxable supply of the employer resource (in this section referred to as the “employer resource supply”) on the last day of the particular fiscal year;

(2) tax in respect of the employer resource supply referred to in subparagraph 1 is deemed to have become payable on the last day of the particular fiscal year and the person is deemed to have collected that tax on that day;

(3) the tax referred to in subparagraph 2 is deemed to be equal to the total of all amounts each of which is determined for each pension plan in the master pension group by the formula

$A \times B \times C$ ; and

(4) for each pension plan in the master pension group, the specified pension entity of the pension plan is deemed for the purpose of determining an input tax refund of the specified pension entity and for the purposes of subdivision 6.6 of Division I of Chapter VII and sections 450.0.1 to 450.0.12,

(a) to have received a supply of the employer resource on the last day of the particular fiscal year,

(b) except where the specified pension entity is a selected listed financial institution on the last day of the particular fiscal year, to have paid tax in respect of the supply referred to in subparagraph *a*, on that day, equal to the amount determined by the formula

$D - E$ , and

(c) to have acquired the employer resource for consumption, use or supply in the course of its commercial activities to the same extent that the property or service supplied in the pension supply was acquired by the master pension entity for consumption, use or supply by the master pension entity in the course of pension activities of the master pension entity that are commercial activities of the master pension entity.

For the purposes of the formulas in the first paragraph,

(1) A is

(a) in the case where the employer resource was consumed by the person during the particular fiscal year for the purpose of making the pension supply, the product obtained when the fair market value of the employer resource at the time the person began consuming it in the particular fiscal year is multiplied by the extent to which that consumption (expressed as a percentage of the total consumption of the employer resource by the person during the particular fiscal year) occurred when the person was both a registrant and a participating employer of the pension plan, or

(b) in any other case, the product obtained when the fair market value of the use of the employer resource during the particular fiscal year as determined on the last day of the particular fiscal year is multiplied by the extent to which the employer resource was used during the particular fiscal year (expressed as a percentage of the total use of the employer resource by the person during the particular fiscal year) for the purpose of making the pension supply when the person was both a registrant and a participating employer of the pension plan;

(2) B is the provincial factor in respect of the pension plan for the particular fiscal year;

(3) C is the master pension factor in respect of the pension plan for the fiscal year of the master pension entity that includes the last day of the particular fiscal year;

(4) D is the amount of tax determined for the pension plan in accordance with subparagraph 3 of the first paragraph; and

(5) E is the total of all amounts each of which is a part of the amount determined in accordance with subparagraph 4

(a) that is not included in determining the person's net tax for the reporting period that includes the last day of the particular fiscal year, or

(b) that the person has recovered or is entitled to recover by way of rebate, refund or remission, or otherwise, under this or any other Act.”

(2) Subsection 1 applies in respect of a fiscal year of a person that begins after 21 July 2016.

**211.** (1) Section 289.7 of the Act is amended

(1) by replacing the portion before subparagraph 1 of the first paragraph by the following:

“**289.7.** If a person is both a registrant and a participating employer of a pension plan at any time in a fiscal year of the person and is not a qualifying employer of the pension plan at that time, if the person consumes or uses at that time an employer resource of the person in the course of pension activities in respect of the pension plan, if the employer resource is not an excluded resource of the person in respect of the pension plan and if none of sections 289.6, 289.6.1 and 289.7.1 apply in respect of that consumption or use, the following rules apply:”;

(2) by replacing subparagraph 4 of the first paragraph by the following subparagraph:

“(4) for the purpose of determining, in accordance with subdivision 6.6 of Division I of Chapter VII, an eligible amount of the specified pension entity of the pension plan in respect of the person for the fiscal year, the specified pension entity is deemed to have paid tax, on the last day of the fiscal year, except where the pension entity is a selected listed financial institution on that day, equal to the amount determined by the formula

C – D.”;

(3) by replacing the portion of the second paragraph before subparagraph 1 by the following:

“For the purposes of the formulas in the first paragraph,”;

(4) by adding the following subparagraphs at the end of the second paragraph:

“(3) C is the amount of tax determined in accordance with subparagraph 3 of the first paragraph; and

“(4) D is the total of all amounts each of which is a part of the amount determined in accordance with subparagraph 3

(a) that is not included in determining the person’s net tax for the reporting period that includes the last day of the fiscal year, or

(b) that the person has recovered or is entitled to recover by way of rebate, refund or remission, or otherwise, under this or any other Act.”

(2) Paragraph 1 of subsection 1 applies in respect of a fiscal year of a person that begins after 21 July 2016. In addition, where section 289.7 of the Act applies in respect of a fiscal year of a person that begins after 22 September 2009 but before 22 July 2016, it is to be read as if the portion before subparagraph 1 of the first paragraph were replaced by the following:

“**289.7.** If a person is both a registrant and a participating employer of a pension plan at any time in a fiscal year of the person and is not a qualifying employer of the pension plan at that time, if the person consumes or uses at that time an employer resource of the person in the course of pension activities in respect of the pension plan (other than the establishment, management or administration of a master pension entity of the pension plan and the management or administration of assets in respect of the pension plan that are held by a master pension entity of the pension plan), if the employer resource is not an excluded resource of the person in respect of the pension plan and if section 289.6 does not apply in respect of that consumption or use, the following rules apply:”.

(3) Paragraphs 2 to 4 of subsection 1 have effect from 23 September 2009, except for the purpose of determining the pension rebate amount (within the meaning of section 402.13 of the Act) of a specified pension entity for a claim period of the specified pension entity if

(1) an application for a rebate under section 402.14 of the Act for the claim period is filed before 23 July 2016; or

(2) an election made under section 402.19.1 of the Act is filed before 23 July 2016.

(4) However, where section 289.7 of the Act applies in respect of a fiscal year of a person that ends before 1 January 2013, subparagraph 4 of the first paragraph of that section 289.7 is to be read as follows:

“(4) for the purpose of determining, in accordance with subdivision 6.6 of Division I of Chapter VII, an eligible amount of the specified pension entity of the pension plan in respect of the person for the fiscal year, the specified pension entity is deemed to have paid tax, on the last day of the fiscal year, equal to the amount determined by the formula

C – D.”

(5) If, in determining the amount of any fees, interest and penalties for which a person is liable under this Act, the Minister of Revenue included in determining the net tax of the person that is a participating employer of a pension plan, for a reporting period, an amount as an amount of tax in respect of an employer resource, within the meaning of section 289.2 of the Act, if that amount was deemed to have been collected on a particular day in the reporting period by the person under subparagraph 2 of the first paragraph of section 289.7 of the Act and if, as a result of the application of that section 289.7, as amended by subsection 2, the amount is not deemed to have been collected by the person under subparagraph 2 of the first paragraph of that section, the person is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that the amount is not deemed to have been collected by the person under that subparagraph 2. On receipt of the request,

(1) the Minister shall, with all due dispatch, consider the request;

(2) the Minister shall, with all due dispatch, make an assessment or reassessment of the person’s net tax for the reporting period, and of any interest, penalty or other obligation of the person, solely for the purpose of taking into account that the amount is not deemed to have been collected by the person under subparagraph 2 of the first paragraph of section 289.7 of the Act;

(3) if a pension entity of the pension plan makes an election under any of sections 402.18, 402.19 and 402.19.1 of the Act with a qualifying employer of the pension plan for the claim period (within the meaning of section 289.2 of the Act) of the pension entity that includes the particular day, if the qualifying employer deducts, in determining its net tax for a reporting period, an amount as all or part of a particular amount in respect of the employer resource, if the particular amount was deemed to have been paid by the pension entity under subparagraph 4 of the first paragraph of section 289.7 of the Act and if, as a result of the application of that section 289.7, as amended by subsection 2, the particular amount is not deemed to have been paid by the pension entity under that subparagraph 4, the Minister shall, with all due dispatch, make an assessment or reassessment of the net tax for the reporting period, and of any interest, penalty or other obligation of the qualifying employer, solely for the purpose of taking into account that the particular amount is not deemed to have been paid by the pension entity under that subparagraph 4; and

(4) if, in determining the amount of a rebate under section 402.14 of the Act for a claim period (within the meaning of section 402.13 of the Act) of a pension entity, the Minister included a particular amount in determining the pension rebate amount (within the meaning of section 402.13 of the Act) for the claim period as an amount in respect of the employer resource, if the particular amount was deemed to have been paid by the pension entity under subparagraph 4 of the first paragraph of section 289.7 of the Act and if, as a result of the application of that section 289.7, as amended by subsection 2, the particular amount is not deemed to have been paid by the pension entity under that subparagraph 4, the Minister shall, with all due dispatch, make an assessment or reassessment of the rebate, and of any interest, penalty or other obligation of the pension entity, solely for the purpose of taking into account that the particular amount was not deemed to have been paid by the pension entity under that subparagraph 4.

**212.** (1) The Act is amended by inserting the following section after section 289.7:

**“289.7.1.** If a person that is a registrant consumes or uses at any time in a fiscal year (in this section referred to as the “particular fiscal year”) of the person an employer resource of the person in the course of pension activities in respect of one or more pension plans that are in the master pension group in respect of the person and a master pension entity at that time, if the person is not at that time a qualifying employer of any pension plan in the master pension group, if it is not the case that the employer resource is an excluded resource of the person in respect of any pension plan in the master pension group, if the pension activities relate exclusively to the establishment, management or administration of the master pension entity of the pension plan or the management or administration of assets held by the master pension entity of the pension plan and if neither of sections 289.6 and 289.6.1 applies to that consumption or use, the following rules apply:

(1) the person is deemed to have made a taxable supply of the employer resource (in this section referred to as the “employer resource supply”) on the last day of the particular fiscal year;

(2) tax in respect of the employer resource supply referred to in subparagraph 1 is deemed to have become payable on the last day of the particular fiscal year and the person is deemed to have collected that tax on that day;

(3) the tax referred to in subparagraph 2 is deemed to be equal to the total of all amounts each of which is determined for each pension plan in the master pension group by the formula

$A \times B \times C$ ; and



(4) for each pension plan in the master pension group, the specified pension entity of the pension plan is deemed—for the purpose of determining, under subdivision 6.6 of Division I of Chapter VII, an eligible amount of the specified pension entity in respect of the person for the particular fiscal year—to have paid tax on the last day of the particular fiscal year, except where the specified pension entity is a selected listed financial institution on that day, equal to the amount determined by the formula

D – E.

For the purposes of the formulas in the first paragraph,

(1) A is

(a) in the case where the employer resource was consumed by the person during the particular fiscal year in the course of its pension activities referred to in the first paragraph, the product obtained when the fair market value of the employer resource at the time the person began consuming it in the particular fiscal year is multiplied by the extent to which that consumption (expressed as a percentage of the total consumption of the employer resource by the person during the particular fiscal year) occurred when the person was both a registrant and a participating employer of any pension plan in the master pension group, or

(b) in any other case, the product obtained when the fair market value of the use of the employer resource during the particular fiscal year as determined on the last day of the particular fiscal year is multiplied by the extent to which the employer resource was used during the particular fiscal year (expressed as a percentage of the total use of the employer resource by the person during the particular fiscal year) in the course of those pension activities when the person was both a registrant and a participating employer of any pension plan in the master pension group;

(2) B is the provincial factor in respect of the pension plan for the particular fiscal year;

(3) C is the master pension factor in respect of the pension plan for the fiscal year of the master pension entity that includes the last day of the particular fiscal year;

(4) D is the amount of tax determined for the pension plan in accordance with subparagraph 3 of the first paragraph; and

(5) E is the total of all amounts each of which is a part of the amount determined in accordance with subparagraph 4

(a) that is not included in determining the person's net tax for the reporting period that includes the last day of the particular fiscal year, or

(b) that the person has recovered or is entitled to recover by way of rebate, refund or remission, or otherwise, under this or any other Act.”

(2) Subsection 1 applies in respect of a fiscal year of a person that begins after 21 July 2016.

**213.** (1) Section 289.8 of the Act is amended by replacing “289.7” by “289.7.1”.

(2) Subsection 1 applies in respect of a fiscal year of a person that begins after 21 July 2016.

**214.** (1) The Act is amended by inserting the following section after section 289.8:

**“289.8.1.** A master pension entity of a pension plan shall, in the manner determined by the Minister, provide the master pension factor in respect of the pension plan for a fiscal year of the master pension entity, and any other information that the Minister may specify, to each participating employer of the pension plan on or before the day that is 30 days after the first day of the fiscal year.”

(2) Subsection 1 applies in respect of a fiscal year of a person that begins after 21 July 2016.

**215.** (1) Section 289.9 of the Act is amended by striking out the third paragraph.

(2) Subsection 1 applies in respect of a supply made after 21 July 2016, other than

(1) a supply made by a person of all or part of property or a service, if the person acquired the property or service before the first fiscal year of the person that begins after 21 July 2016; and

(2) a supply made by a person of property or a service, if the person, before the first fiscal year of the person that begins after 21 July 2016, consumes or uses an employer resource of the person for the purpose of making the supply.

**216.** (1) The Act is amended by inserting the following sections after section 289.9:

**“289.9.1.** A person that is a participating employer of a pension plan and a master pension entity of the pension plan may jointly make an election in respect of taxable supplies made by the person to the master pension entity if the total of all percentages, each of which is a master pension factor in respect of a pension plan of which the person is a participating employer for the fiscal year of the master pension entity that includes the day on which the election becomes effective, is equal to or greater than 90%.

Every taxable supply made by a participating employer to a master pension entity at a time when a joint election made under the first paragraph by the participating employer and the master pension entity is in effect is deemed to have been made for no consideration.

The second paragraph does not apply to

- (1) a supply deemed under subdivision 2 to have been made;
- (2) a supply of a property or a service that is not acquired by a master pension entity of a pension plan for consumption, use or supply by the master pension entity in the course of pension activities in respect of the pension plan;
- (3) a supply made by a participating employer of a pension plan to a master pension entity of the pension plan of all or part of a property or a service if, at the time the participating employer acquires the property or service, the master pension entity is a master pension entity of one or more pension plans of which the participating employer is a selected qualifying employer;
- (4) a supply made by a participating employer of a pension plan to a master pension entity of the pension plan of a property or a service if, at the time the participating employer consumes or uses an employer resource of the participating employer for the purpose of making the supply, the master pension entity is a master pension entity of one or more pension plans of which the participating employer is a selected qualifying employer; or
- (5) a supply made in prescribed circumstances or made by a prescribed person.

**“289.9.2.** An election under the first paragraph of section 289.9 or 289.9.1 must

- (1) be made in the prescribed form containing prescribed information;
- (2) specify the day on which the election is to become effective, which must be the first day of a fiscal year of the participating employer; and
- (3) be filed by the participating employer with the Minister in prescribed manner on or before the day on which the election is to become effective or any later day that the Minister may determine.”

(2) Subsection 1 applies in respect of a supply made after 21 July 2016, other than

- (1) a supply made by a person of all or part of property or a service, if the person acquired the property or service before the first fiscal year of the person that begins after 21 July 2016; and
- (2) a supply made by a person of property or a service, if the person, before the first fiscal year of the person that begins after 21 July 2016, consumes or uses an employer resource of the person for the purpose of making the supply.

**217.** (1) Section 289.10 of the Act is amended

(1) by replacing the portion before subparagraph 3 of the first paragraph by the following:

**“289.10.** An election under the first paragraph of section 289.9 or 289.9.1 made by a person that is a participating employer of a pension plan and by another person that is a pension entity of the pension plan or a master pension entity of the pension plan ceases to have effect on the earliest of

(1) the day on which the person ceases to be a participating employer of the pension plan;

(2) the day on which the other person ceases to be a pension entity of the pension plan or a master pension entity of the pension plan, as the case may be;”;

(2) by replacing subparagraph 4 of the first paragraph by the following subparagraph:

“(4) the day specified in a notice of revocation of the election sent to the person in accordance with section 289.12.”;

(3) by adding the following subparagraph at the end of the first paragraph:

“(5) in the case of an election made under section 289.9.1, the first day of a fiscal year of the other person for which the total of all percentages, each of which is a master pension factor in respect of a pension plan of which the person is a participating employer for the fiscal year, is less than 90%.”;

(4) by replacing the second paragraph by the following paragraph:

“The persons that made an election under the first paragraph of section 289.9 or 289.9.1 may jointly revoke the election.”;

(5) by replacing the portion of the third paragraph before subparagraph 1 by the following:

“The revocation of the election made under the second paragraph must”;

(6) by replacing subparagraphs 2 and 3 of the third paragraph by the following subparagraphs:

“(2) specify the day on which the revocation is to become effective, which must be the first day of a fiscal year of the person that is the participating employer; and

“(3) be filed by that person with the Minister in prescribed manner on or before the day on which the revocation is to become effective or any later day that the Minister may determine.”

(2) Subsection 1 applies in respect of a supply made after 21 July 2016, other than

(1) a supply made by a person of all or part of property or a service, if the person acquired the property or service before the first fiscal year of the person that begins after 21 July 2016; and

(2) a supply made by a person of property or a service, if the person, before the first fiscal year of the person that begins after 21 July 2016, consumes or uses an employer resource of the person for the purpose of making the supply.

**218.** (1) Sections 289.11 and 289.12 of the Act are replaced by the following sections:

**“289.11.** The Minister may send a notice in writing (in this section and section 289.12 referred to as a “notice of intent”) to a participating employer of a pension plan and to a pension entity of the pension plan or a master pension entity of the pension plan that made a joint election under the first paragraph of section 289.9 or 289.9.1, which election is in effect at any time in a particular fiscal year of the participating employer, informing them of the Minister’s intention to revoke the election as of the first day of the particular fiscal year, if the participating employer fails to account for, as and when required under this Title, any tax deemed to have been collected by the participating employer on the last day of the particular fiscal year in accordance with any of sections 289.5 to 289.6.1 in respect of the pension plan.

A participating employer of a pension plan that receives a notice of intent must establish to the Minister’s satisfaction that the participating employer did not fail to account for, as and when required under this Title, any tax deemed to have been collected by the participating employer on the last day of the particular fiscal year in accordance with any of sections 289.5 to 289.6.1 in respect of the pension plan.

**“289.12.** If, after 60 days after the day on which a notice of intent was sent by the Minister to a participating employer of a pension plan, the Minister is not satisfied that the participating employer did not fail to account for, as and when required under this Title, any tax deemed to have been collected by the participating employer on the last day of a particular fiscal year in accordance with any of sections 289.5 to 289.6.1 in respect of the pension plan, the Minister may send a notice in writing to the participating employer and to the pension entity of the pension plan or master pension entity of the pension plan with which the participating employer made the election that the election is revoked as of the day specified in the notice, and that day is not to be earlier than the day specified in the notice of intent and must be the first day of any fiscal year of the participating employer.”

(2) Subsection 1 applies in respect of a supply made after 21 July 2016, other than

(1) a supply made by a person of all or part of property or a service, if the person acquired the property or service before the first fiscal year of the person that begins after 21 July 2016; and

(2) a supply made by a person of property or a service, if the person, before the first fiscal year of the person that begins after 21 July 2016, consumes or uses an employer resource of the person for the purpose of making the supply.

**219.** (1) The Act is amended by inserting the following subdivision after section 289.12:

“§4. — *Tax deemed to be paid by a designated pension entity*

“**289.13.** For the purposes of this subdivision, an excluded amount of a master pension entity is an amount of tax that

(1) is deemed to have been paid by the master pension entity under this Title (other than sections 223 to 231.1);

(2) became payable, or was paid without having become payable, by the master pension entity at a time when it was entitled to claim a rebate under sections 383 to 388 and 394 to 397.2; or

(3) is payable under the first paragraph of section 16, or is deemed under sections 223 to 231.1 to have been paid, by the master pension entity in respect of a taxable supply to the master pension entity of a residential complex, in addition to a residential complex or land if, in respect of that supply, the master pension entity is entitled to claim a rebate under subdivision IV.2 of subdivision 3 of Division I of Chapter VII or would be so entitled after paying the tax payable in respect of that supply.

“**289.14.** For the purposes of this subdivision, the following rules apply:

(1) if a person is a master pension entity of a pension plan having, at any time, only one pension entity, that pension entity is, at that time, the designated pension entity of the pension plan in respect of the person; and

(2) if a person is a master pension entity of a pension plan having, at any time, two or more pension entities and if an election made jointly under section 289.16 by the person and one of those pension entities is in effect at that time, that pension entity is, at that time, the designated pension entity of the pension plan in respect of the person.

**“289.15.** For the purposes of subdivision 6.6 of Division I of Chapter VII, if a particular amount of tax becomes payable, or is paid without having become payable, by a master pension entity of one or more pension plans at any time in a fiscal year of the master pension entity and if the particular amount of tax is not an excluded amount of the master pension entity, an amount of tax equal to the amount determined by the following formula is deemed, for each of those pension plans, to have been paid at that time by the designated pension entity of the pension plan at that time in respect of the master pension entity:

A × B.

For the purposes of the formula in the first paragraph,

(1) A is

(a) if the designated pension entity is a selected listed financial institution and the particular amount of tax is payable under the first paragraph of section 16 or any of sections 17, 18 and 18.0.1, zero, and

(b) in any other case, the amount determined by the formula

C – D; and

(2) B is the master pension factor in respect of the pension plan for the fiscal year of the master pension entity that includes that time.

For the purposes of the formula in the second paragraph,

(1) C is the particular amount of tax; and

(2) D is the total of all amounts each of which is included in the particular amount of tax and is

(a) an input tax refund that the master pension entity is entitled to claim in respect of the particular amount of tax,

(b) an amount for which it can reasonably be regarded that the master pension entity has obtained or is entitled to obtain a rebate, refund, remission or compensation under any other section of this Act or under any other Act, or

(c) an amount that can reasonably be regarded as being included in an amount adjusted, refunded or credited to or in favour of the master pension entity for which a credit note referred to in section 449 has been received by the master pension entity or a debit note referred to in that section has been issued by the master pension entity.

**“289.16.** A master pension entity of a pension plan having two or more pension entities may jointly elect with one of those pension entities, in the prescribed form containing prescribed information, to have that pension entity be, while the election is in effect, the designated pension entity of the pension plan in respect of the master pension entity for the purposes of this subdivision.

**“289.17.** An election made under section 289.16 by a particular person that is a master pension entity of a pension plan and by another person that is a pension entity of the pension plan becomes effective on the day set out in the document evidencing the election and ceases to have effect on the earliest of

(1) the day on which the particular person ceases to be a master pension entity of the pension plan;

(2) the day on which the other person ceases to be a pension entity of the pension plan;

(3) the day on which an election made under section 289.16 by the particular person and by a third person that is a pension entity of the pension plan becomes effective; and

(4) the day specified in a notice of revocation of the election made in accordance with section 289.18.

**“289.18.** A master pension entity and a pension entity that have jointly made an election under section 289.16 may jointly revoke the election, in the prescribed form containing prescribed information, effective on the day specified in the revocation.”

(2) Subsection 1 applies in respect of an amount of tax that becomes payable, or that is paid without having become payable, by a person after 21 July 2016.

**220.** Section 297.0.2.2 of the Act is amended by adding the following paragraph at the end:

“If a supply is made between a person and a corporation that have jointly made an election under section 297.0.2.1 and the election is in effect on 22 March 2016 and on the day, after that date but before 22 March 2017, on which the agreement for the supply is entered into, the first paragraph is to be read, in respect of the supply, as if the following subparagraph were inserted after subparagraph 2:

“(2.1) a supply made between a person and a corporation if

(a) the supply is

i. a supply of a service and it is not the case that all or substantially all of the service is performed before 22 March 2017, or



ii. a supply of property by way of lease, licence or similar arrangement and it is not the case that all or substantially all of the property is delivered or made available to the recipient of the supply before 22 March 2017, and

(b) the person and the corporation are not members of the same closely related group either at any time after the day on which the agreement for the supply is entered into but before 22 March 2017 or on that latter date; or.”

**221.** (1) Section 297.7 of the Act is amended, in subparagraph 2 of the first paragraph in the French text,

(1) by replacing “négligeable” in subparagraph *b* by “symbolique”;

(2) by replacing “à titre gratuit” and “négligeable” in subparagraph *c* by “sans contrepartie” and “symbolique”, respectively.

(2) Subsection 1 has effect from 14 December 2017.

**222.** (1) Section 297.7.4 of the Act is amended, in subparagraph 2 of the first paragraph in the French text,

(1) by replacing “négligeable” in subparagraph *b* by “symbolique”;

(2) by replacing “à titre gratuit” and “négligeable” in subparagraph *c* by “sans contrepartie” and “symbolique”, respectively.

(2) Subsection 1 has effect from 14 December 2017.

**223.** (1) Section 328 of the Act is replaced by the following section:

**“328.** The expression “qualifying subsidiary” of a particular corporation means another corporation in respect of which the particular corporation holds qualifying voting control and owns not less than 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of the other corporation.”

(2) Subsection 1 applies from 22 March 2017. It also applies from 23 March 2016

(1) in respect of an election made under section 297.0.2.1 or 334 of the Act that was not filed before 23 March 2016 and that becomes effective after 22 March 2016 but before 22 March 2017; or

(2) for the purpose of applying subparagraphs 2 and 3 of the first paragraph of section 1R3 of the Regulation respecting the Québec sales tax (chapter T-0.1, r. 2) in respect of a supply of a service if the agreement for the supply is entered into after 22 March 2016 but before 22 March 2017 and it is not the case that all or substantially all of the service is performed before 22 March 2017.

**224.** (1) Section 331.2 of the Act is amended by replacing paragraphs 1 and 2 by the following paragraphs:

“(1) in the case where the other person is a qualifying partnership,

(a) all or substantially all of the interest in the other person is held by

i. the particular partnership,

ii. a corporation, or a qualifying partnership, that is a member of a qualifying group of which the particular partnership is a member, or

iii. any combination of corporations or partnerships referred to in subparagraphs i and ii, or

(b) the particular partnership

i. both holds qualifying voting control in respect of a corporation that is a member of a qualifying group of which the other person is a member and owns at least 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of the corporation, or

ii. holds all or substantially all of the interest in a qualifying partnership that is a member of a qualifying group of which the other person is a member; and

“(2) in the case where the other person is a corporation,

(a) qualifying voting control in respect of the other person is held by, and not less than 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of the other person are owned by,

i. the particular partnership, or

ii. a corporation, or a qualifying partnership, that is a member of a qualifying group of which the particular partnership is a member,

(b) qualifying voting control in respect of a corporation is held by, and not less than 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of the corporation are owned by,

i. the other person, if the corporation is a member of a qualifying group of which the particular partnership is a member, or

ii. the particular partnership, if the corporation is a member of a qualifying group of which the other person is a member,

(c) all or substantially all of the interest in the particular partnership is held by

i. the other person,

ii. a corporation, or a qualifying partnership, that is a member of a qualifying group of which the other person is a member, or

iii. any combination of corporations or partnerships referred to in subparagraphs i and ii, or

(d) all or substantially all of the interest in a qualifying partnership is held by

i. the other person, if the qualifying partnership is a member of a qualifying group of which the particular partnership is a member, or

ii. the particular partnership, if the qualifying partnership is a member of a qualifying group of which the other person is a member.”

(2) Subsection 1 applies from 22 March 2017. It also applies from 23 March 2016 in respect of an election made under section 334 of the Act that was not filed before 23 March 2016 and that becomes effective after 22 March 2016 but before 22 March 2017.

**225.** Section 331.3 of the Act is replaced by the following section:

“**331.3.** If, under section 331.2, two persons are closely related to the same corporation or partnership, or would be so related if each member of that partnership were resident in Québec, the two persons are closely related to each other for the purposes of this division.”

**226.** (1) Section 332 of the Act is replaced by the following section:

“**332.** A particular corporation and another corporation are closely related to each other at any time if, at that time,

(1) qualifying voting control in respect of the other corporation is held by, and not less than 90% of the value and number of the issued and outstanding shares, having full voting rights under all circumstances, of the capital stock of the other corporation are owned by,

(a) the particular corporation,

(b) a qualifying subsidiary of the particular corporation,

(c) a corporation of which the particular corporation is a qualifying subsidiary, or

(d) a qualifying subsidiary of a corporation of which the particular corporation is a qualifying subsidiary; or

(2) the other corporation is a prescribed corporation in relation to the particular corporation.”

(2) Subsection 1 applies from 22 March 2017. It also applies from 23 March 2016

(1) in respect of an election made under section 297.0.2.1 or 334 of the Act that was not filed before 23 March 2016 and that becomes effective after 22 March 2016 but before 22 March 2017; or

(2) for the purpose of applying subparagraphs 2 and 3 of the first paragraph of section 1R3 of the Regulation respecting the Québec sales tax (chapter T-0.1, r. 2) in respect of a supply of a service if the agreement for the supply is entered into after 22 March 2016 but before 22 March 2017 and it is not the case that all or substantially all of the service is performed before 22 March 2017.

**227.** (1) The Act is amended by inserting the following section after section 332:

“**332.1.** A person or a group of persons holds qualifying voting control in respect of a corporation at any time if, at that time,

(1) the person, or the members of the group collectively, as the case may be, own shares of the capital stock of the corporation to which are attached not less than 90% of the shareholder votes that may be cast in respect of each matter, other than a matter

(a) for which a statute of a country, or of a state, province, or other political subdivision of a country, that applies to the corporation provides, in respect of the vote of the shareholders of the corporation on the matter, that

i. any shareholder of the corporation has voting rights that are different from the voting rights that the shareholder would otherwise have under the letters patent, instrument of continuance or other constituting act by which the corporation was incorporated or continued, including any amendment to, or restatement of, such an instrument or act, or

ii. holders of a class or series of shares of the capital stock of the corporation are entitled to vote separately, or

(b) that is a prescribed matter or a matter that meets prescribed conditions or arises in prescribed circumstances; or

(2) the person or group, as the case may be, is a prescribed person or group in relation to the corporation.”

(2) Subsection 1 has effect from 23 March 2016.

**228.** (1) The Act is amended by inserting the following section after section 333.1:

“**333.2.** For the purposes of section 332.1, a particular person is deemed not to own a share at a particular time if

(1) another person has a right under a contract or otherwise, either immediately or in the future and either absolutely or contingently, to control the voting rights attached to the share, other than a right that is not exercisable at the particular time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual; and

(2) the other person is not closely related to the particular person at the particular time.”

(2) Subsection 1 has effect from 23 March 2016.

**229.** (1) Section 346.1 of the Act is amended by replacing “« mandataire désigné »” in paragraph 1 in the French text by “« mandataire de la Couronne désigné »”.

(2) Subsection 1 has effect from 14 December 2017.

**230.** (1) The Act is amended by inserting the following section after section 388:

“**388.0.1.** In the case where a rebate under section 386 or 386.1.1 in respect of property or a service for a particular claim period of a person is not claimed in an application for that period, the rebate may be claimed by the person in an application for a subsequent claim period of the person if the following conditions are met:

(1) the rebate has not been claimed in any application for any claim period of the person;

(2) the application for the subsequent claim period is filed by the person within two years after

(a) if the person is a registrant, the day on or before which the person is required to file a return under Chapter VIII for the particular claim period, and

(b) if the person is not a registrant, the day that is three months after the last day of the particular claim period;

(3) the person does not, at any time throughout the period (in this section referred to as the “specified period”) beginning on the first day of the particular claim period and ending on the last day of the subsequent claim period, become or cease to be

- (a) a charity,
- (b) a public institution,
- (c) a qualifying non-profit organization,
- (d) a person designated to be a municipality, or
- (e) one of the bodies described in the definition of “selected public service body” in section 383; and

(4) throughout the specified period, the percentage provided for in section 386 or 386.1.1 that would be applicable in determining the amount of a rebate under this subdivision in respect of property or a service, if tax in respect of the property or service had become payable and had been paid by the person on each day in the specified period, remains constant.”

(2) Subsection 1 applies in respect of a subsequent claim period that ends after 8 September 2017.

**231.** (1) Section 402.13 of the Act is amended

(1) by replacing subparagraph 2 of the third paragraph by the following subparagraph:

“(2) B is the amount determined by the formula  
G + H.”;

(2) by replacing the portion of the fourth paragraph before subparagraph 1 by the following:

“For the purposes of the formulas in the third paragraph,”;

(3) by adding the following subparagraphs at the end of the fourth paragraph:

“(5) G is the total of all amounts each of which is an eligible amount of the pension entity for the claim period that is described in paragraph 1 of the definition of “eligible amount” in the first paragraph; and

“(6) H is

(a) if an application for a rebate under section 402.14 for the claim period is filed in accordance with section 402.16, the total amount indicated on the application under section 402.16.1,

(b) if an election made under section 402.19.1 for the claim period is filed in accordance with the second paragraph of section 402.21, the total amount indicated on the election under subparagraph 3 of the second paragraph of section 402.21, or

(c) in any other case, zero.”

(2) Subsection 1 applies in respect of a claim period of a pension entity that begins after 31 December 2013. In addition, where section 402.13 of the Act applies in respect of a claim period of a pension entity that begins after 22 September 2009 and before 1 January 2013, it is to be read

(1) as if subparagraph 2 of the second paragraph were replaced by the following subparagraph:

“(2) B is the amount determined by the formula

$C + D$ .”; and

(2) as if the following paragraph were inserted after the second paragraph:

“For the purposes of the formula in the second paragraph,

(1) C is the total of all amounts each of which is an eligible amount of the pension entity for the claim period that is described in paragraph 1 of the definition of “eligible amount” in the first paragraph; and

(2) D is

(a) if an application for a rebate under section 402.14 for the claim period is filed in accordance with section 402.16, the total amount indicated on the application under section 402.16.1, or

(b) in any other case, zero.”

(3) In addition, despite paragraphs 2 and 3 of subsection 4 of section 142 of the Act to amend the Act respecting the Québec sales tax and other legislative provisions (2012, chapter 28) and subsection 4 of section 211 of the Act to give effect mainly to fiscal measures announced in the Budget Speech delivered on 26 March 2015 (2015, chapter 36), where section 402.13 of the Act respecting the Québec sales tax applies in relation to a claim period that begins after 31 December 2012 and before 1 January 2014, it is to be read

(1) as if subparagraphs 1 and 2 of the third paragraph were replaced by the following subparagraphs:

“(1) A is

(a) where the pension entity is governed by a pension plan to which more than 50% of the employer contributions are made by one or more public service bodies that are not entitled to any rebate under section 386,

i. if the pension plan is a registered pension plan, 77%,

ii. if the pension plan is a pooled registered pension plan and either employer contributions or employee contributions were made to the pension plan in the particular calendar year that is the last calendar year ending on or before the last day of the claim period, an amount (expressed as a percentage) determined by the formula

$$77\% \times (C/D),$$

iii. if the pension plan is a pooled registered pension plan, neither employer contributions nor employee contributions were made to the pension plan in the particular calendar year that is the last calendar year ending on or before the last day of the claim period and it is reasonable to expect that employer contributions will be made to the pension plan in a subsequent calendar year, an amount (expressed as a percentage) determined for the first calendar year following the particular calendar year (in this section referred to as the “first calendar year of contribution”) in which employer contributions are reasonably expected to be made to the pension plan by the formula

$$77\% \times (E/F), \text{ or}$$

iv. if the pension plan is a pooled registered pension plan and subparagraphs ii and iii do not apply, 0%,

(b) where the pension entity is governed by a pension plan to which more than 50% of the employer contributions are made by one or more public service bodies that are entitled to a rebate under section 386,

i. if the pension plan is a registered pension plan, 88%,

ii. if the pension plan is a pooled registered pension plan and either employer contributions or employee contributions were made to the pension plan in the particular calendar year that is the last calendar year ending on or before the last day of the claim period, an amount (expressed as a percentage) determined by the formula

$$88\% \times (C/D),$$

iii. if the pension plan is a pooled registered pension plan, neither employer contributions nor employee contributions were made to the pension plan in the particular calendar year that is the last calendar year ending on or before the last day of the claim period and it is reasonable to expect that employer contributions will be made to the pension plan in a subsequent calendar year,



an amount (expressed as a percentage) determined for the first calendar year of contribution in which employer contributions are reasonably expected to be made to the pension plan by the formula

$88\% \times (E/F)$ , or

iv. in any other case, 0%, or

(c) in any other case,

i. if the pension plan is a registered pension plan, 100%,

ii. if the pension plan is a pooled registered pension plan and either employer contributions or employee contributions were made to the pension plan in the particular calendar year that is the last calendar year ending on or before the last day of the claim period, an amount (expressed as a percentage) determined by the formula

$100\% \times (C/D)$ ,

iii. if the pension plan is a pooled registered pension plan, neither employer contributions nor employee contributions were made to the pension plan in the particular calendar year that is the last calendar year ending on or before the last day of the claim period and it is reasonable to expect that employer contributions will be made to the pension plan in a subsequent calendar year, an amount (expressed as a percentage) determined for the first calendar year of contribution in which employer contributions are reasonably expected to be made to the pension plan by the formula

$100\% \times (E/F)$ , or

iv. in any other case, 0%;

“(2) B is the total of all amounts each of which is, in relation to a participating employer of a pension plan, the lesser of

(a) the total of all amounts each of which is an eligible amount of the pension entity that is described in paragraph 1 of the definition of “eligible amount” in the first paragraph, for a claim period that ends in 2012, that became payable, or was paid without having become payable, by the pension entity, in relation to a supply made by the participating employer of the pension plan, during a fiscal year of the participating employer that ends after 31 December 2012, and

(b) any of the following amounts:

i. if an application for a rebate under section 402.14 for the claim period is filed in accordance with section 402.16, the total amount indicated on the application under section 402.16.1,

ii. if an election made under section 402.19.1 for the claim period is filed in accordance with the second paragraph of section 402.21, the total amount indicated on the election under subparagraph 3 of the second paragraph of section 402.21, or

iii. in any other case, zero;”;

(2) as if the following subparagraphs were added at the end of the third paragraph:

“(3) C is

(a) if the pension plan is a registered pension plan, 33%,

(b) if the pension plan is a pooled registered pension plan and either employer contributions or employee contributions were made to the pension plan in the particular calendar year that is the last calendar year ending on or before the last day of the claim period, an amount (expressed as a percentage) determined by the formula

$$33\% \times (C/D),$$

(c) if the pension plan is a pooled registered pension plan, neither employer contributions nor employee contributions were made to the pension plan in the particular calendar year that is the last calendar year ending on or before the last day of the claim period and it is reasonable to expect that employer contributions will be made to the pension plan in a subsequent calendar year, an amount (expressed as a percentage) determined for the first calendar year of contribution in which employer contributions are reasonably expected to be made to the pension plan by the formula

$$33\% \times (E/F), \text{ or}$$

(d) if the pension plan is a pooled registered pension plan and subparagraphs *b* and *c* do not apply, 0%; and

“(4) D is the amount determined by the formula

$$G + (H - I).”;$$

(3) as if the portion of the fourth paragraph before subparagraph 1 were replaced by the following:

“For the purposes of the formulas in the third paragraph;” and

(4) as if the following subparagraphs were added at the end of the fourth paragraph:

“(5) G is the total of all amounts each of which is an eligible amount of the pension entity for the claim period that is described in paragraph 1 of the definition of “eligible amount” in the first paragraph;

“(6) H is

(a) if an application for a rebate under section 402.14 for the claim period is filed in accordance with section 402.16, the total amount indicated on the application under section 402.16.1,

(b) if an election made under section 402.19.1 for the claim period is filed in accordance with the second paragraph of section 402.21, the total amount indicated on the election under subparagraph 3 of the second paragraph of section 402.21, or

(c) in any other case, zero; and

“(7) I is the value of B.”

**232.** (1) The Act is amended by inserting the following section after section 402.16:

“**402.16.1.** An application for a rebate under section 402.14 for a claim period of a pension entity must indicate the total of all amounts each of which is an eligible amount of the pension entity for the claim period

(1) that is described in paragraph 2 of the definition of “eligible amount” in the first paragraph of section 402.13; and

(2) that the pension entity elects to include in the determination of the pension rebate amount of the pension entity for the claim period.”

(2) Subsection 1 applies in respect of a claim period of a pension entity that begins after 22 September 2009.

**233.** (1) Section 402.21 of the Act is amended

(1) by replacing subparagraph 2 of the first paragraph by the following subparagraph:

“(2) be filed by the pension entity with and as prescribed by the Minister

(a) at the same time that its application for the rebate under section 402.14 for the claim period is filed, and

(b) within two years after the day that is

i. if the pension entity is a registrant, the day on or before which the pension entity is required to file a return under Chapter VIII for the claim period, and

ii. in any other case, the last day of the claim period;”;

(2) by adding the following subparagraph at the end of the second paragraph:

“(3) indicate the total of all amounts each of which is an eligible amount of the pension entity for the claim period

(a) that is described in paragraph 2 of the definition of “eligible amount” in the first paragraph of section 402.13, and

(b) that the pension entity elects to include in the determination of the pension rebate amount of the pension entity for the claim period.”

(2) Paragraph 1 of subsection 1 applies in respect of an election made under section 402.18 or 402.19 of the Act, other than an election that is filed with the Minister before 23 July 2016.

(3) Paragraph 2 of subsection 1 applies in respect of a claim period of a pension entity that begins after 31 December 2012.

**234.** (1) Section 433.2 of the Act is amended by inserting the following subparagraph before subparagraph *b.2* of subparagraph 2 of the second paragraph:

“(b.1.1) 60% of the total of all amounts that may be deducted by the charity under subparagraph 1 of the first paragraph of section 450.0.4 or 450.0.7 in determining the net tax for the particular reporting period and that are claimed in the return under this chapter filed for that reporting period;”.

(2) Subsection 1 applies in respect of a reporting period of a person that ends after 22 September 2009.

(3) If, upon the determination by the Minister of Revenue of the amount of any fees, interest and penalties for which a charity is liable under the Act in respect of its net tax for a reporting period, a particular amount was not included in the total for B in the formula in the first paragraph of section 433.2 of the Act and if, as a result of the application of subparagraph *b.1.1* of subparagraph 2 of the second paragraph of section 433.2 of the Act, as enacted by subsection 1, the particular amount is to be included in determining the net tax for the reporting period, the charity is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that the particular amount is to be included under that subparagraph *b.1.1* in determining the net tax for the reporting period. On receipt of the request, the Minister shall with all due dispatch

(1) consider the request; and

(2) make an assessment or reassessment of the net tax for the reporting period, and of any interest, penalty or other obligation of the charity, solely for the purpose of taking into account that the particular amount is to be included under subparagraph *b.1.1* of subparagraph 2 of the second paragraph of section 433.2 of the Act in determining the net tax for the reporting period.

**235.** (1) Section 433.16 of the Act is amended by replacing subparagraph *b* of subparagraph 6 of the second paragraph by the following subparagraph:

“(b) where the financial institution has made an election under subsection 4 of section 225.2 of the Excise Tax Act, or under section 433.17, in respect of a supply of property or a service made by another person to the financial institution during the particular reporting period, the aggregate of all amounts each of which is an amount equal to the tax payable by the other person under the first paragraph of section 16, the first paragraph of section 17, or section 18 or 18.0.1 that is included in the cost to the other person of supplying the property or service to the financial institution; and”.

(2) Subsection 1 applies in respect of an election that becomes effective after 14 December 2017.

**236.** (1) Section 433.17 of the Act is replaced by the following section:

“**433.17.** Where a selected listed financial institution is not a selected listed financial institution for the purposes of Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) and the financial institution and a person, who is neither a prescribed person or a person of a prescribed class nor a selected listed financial institution for the purposes of that Part IX, have made the joint election required under section 297.0.2.1, the financial institution may make an election, in the form and containing the information determined by the Minister, to have the value of A in the formula in the first paragraph of section 433.16 or 433.16.2 determined as if an election under subsection 4 of section 225.2 of the Excise Tax Act were in effect and applied to every supply referred to in section 297.0.2.1 that is made by the person to the financial institution at a time when the election made under this section is in effect.”

(2) Subsection 1 applies in respect of an election that becomes effective after 14 December 2017.

**237.** (1) Section 433.18 of the Act is repealed.

(2) Subsection 1 applies in respect of an election that becomes effective after 14 December 2017.

**238.** (1) Section 433.19 of the Act is amended

(1) by replacing the portion before paragraph 1 by the following:

“**433.19.** An election made under section 433.17 by a financial institution in respect of supplies made by a person to the financial institution is effective for the period beginning on the day specified in the document evidencing the election and ending on the earliest of”;

(2) by replacing paragraph 2 by the following paragraph:

“(2) the day specified in a notice of revocation of the election made under section 433.19.0.1;”.

(2) Paragraph 1 of subsection 1 applies in respect of an election that becomes effective after 14 December 2017.

(3) Paragraph 2 of subsection 1 applies in respect of a revocation that becomes effective after 14 December 2017.

**239.** (1) The Act is amended by inserting the following sections after section 433.19:

“**433.19.0.1.** A selected listed financial institution that has made an election under section 433.17 may revoke the election by a notice of revocation, in the form and containing the information determined by the Minister, and the revocation becomes effective on the day specified in the notice, which day is at least 365 days after the day on which the election becomes effective.

“**433.19.0.2.** Where a particular selected listed financial institution makes an election under section 433.17 in respect of supplies made by another selected listed financial institution to the particular financial institution, the particular financial institution shall, in the manner determined by the Minister,

(1) notify the other financial institution of the election and of the day it becomes effective on or before that day or any later day that the Minister may determine; and

(2) if the election ceases to be effective, notify the other financial institution of the day that the election ceases to be effective on or before that day or any later day that the Minister may determine.”

(2) Subsection 1, where it enacts section 433.19.0.1 of the Act, applies in respect of a revocation that becomes effective after 14 December 2017.

(3) Subsection 1, where it enacts section 433.19.0.2 of the Act, applies in respect of an election that becomes effective after 14 December 2017.

**240.** (1) Section 450.0.1 of the Act is amended by replacing “289.5” in the definition of “specified resource” by “289.2”.

(2) Subsection 1 has effect from 22 July 2016.

**241.** (1) Section 450.0.2 of the Act is replaced by the following section:

**“450.0.2.** A person may, on a particular day, issue to a pension entity of a pension plan a note (in sections 450.0.3 and 450.0.4 referred to as a “tax adjustment note”) in respect of all or part of a specified resource, specifying an amount determined in accordance with section 450.0.3, if

(1) the person is deemed under subparagraph 2 of the first paragraph of section 289.5 or 289.5.1 to have collected tax, on or before the particular day, in respect of a taxable supply of the specified resource or part deemed to have been made by the person under subparagraph 1 of that paragraph;

(2) a supply of the specified resource or part is deemed to have been received by the pension entity under subparagraph *a* of subparagraph 4 of the first paragraph of section 289.5 or 289.5.1 and tax in respect of that supply is deemed to have been paid by the pension entity under

(*a*) except in the case described in subparagraph *b*, subparagraph *b* of subparagraph 4 of the first paragraph of section 289.5 or 289.5.1, or

(*b*) if the pension entity is a selected listed financial institution on the last day of the fiscal year in which the person acquired the resource, clause A of subparagraph ii of paragraph *d* of subsection 5 or 5.1 of section 172.1 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15); and

(3) an amount of tax becomes payable, or is paid without having become payable, on or before the particular day to the person (otherwise than by the operation of sections 289.2 to 289.8.1) in respect of a taxable supply of the specified resource or part

(*a*) by the pension entity, if the taxable supply referred to in paragraph 1 is deemed to have been made under subparagraph 1 of the first paragraph of section 289.5, or

(*b*) by a master pension entity of the pension plan, if the taxable supply referred to in paragraph 1 is deemed to have been made under subparagraph 1 of the first paragraph of section 289.5.1.”

(2) Subsection 1 has effect from 22 July 2016.

**242.** (1) Section 450.0.3 of the Act is amended

(1) by replacing subparagraph 1 of the second paragraph by the following subparagraph:

“(1) A is

(a) if the taxable supply referred to in paragraph 1 of section 450.0.2 is deemed to have been made under subparagraph 1 of the first paragraph of section 289.5, the lesser of

i. the amount determined under subparagraph 3 of the first paragraph of section 289.5 in respect of the specified resource or part, and

ii. the total of all amounts each of which is an amount of tax under the first paragraph of section 16 that became payable, or was paid without having become payable, to the person (otherwise than by the operation of sections 289.2 to 289.8.1) by the pension entity in respect of a taxable supply of the specified resource or part on or before the particular day, or

(b) if the taxable supply referred to in paragraph 1 of section 450.0.2 is deemed to have been made under subparagraph 1 of the first paragraph of section 289.5.1, the lesser of

i. the amount determined for the pension plan under subparagraph 3 of the first paragraph of section 289.5.1 in respect of the specified resource or part, and

ii. the amount determined by the formula

$C \times D$ ; and”;

(2) by adding the following paragraph at the end:

“For the purposes of the formula in the second paragraph,

(1) C is the total of all amounts each of which is an amount of tax under the first paragraph of section 16 that became payable, or was paid without having become payable, to the person (otherwise than by the operation of sections 289.2 to 289.8.1) by the master pension entity referred to in subparagraph *b* of paragraph 3 of section 450.0.2 in respect of a taxable supply of the specified resource or part on or before the particular day; and

(2) D is the master pension factor in respect of the pension plan for the fiscal year of the master pension entity that includes the particular day.”

(2) Subsection 1 has effect from 22 July 2016.



**243.** (1) Section 450.0.4 of the Act is amended

(1) by replacing the portion before subparagraph 1 of the first paragraph by the following:

**“450.0.4.** If a person issues a tax adjustment note to a pension entity under section 450.0.2 in respect of all or part of a specified resource, a supply of the specified resource or part is deemed to have been received by the pension entity under subparagraph *a* of subparagraph 4 of the first paragraph of section 289.5 or 289.5.1 and an amount of tax (in this section referred to as “deemed tax”) in respect of that supply, where the pension entity is not a selected listed financial institution on a particular day, is deemed to have been paid on the particular day by the pension entity under subparagraph *b* of subparagraph 4 of the first paragraph of section 289.5 or 289.5.1, or, where the pension entity is such a financial institution, is deemed to have been paid on the particular day by the pension entity under clause A of subparagraph ii of paragraph *d* of subsection 5 or 5.1 of section 172.1 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) or would be deemed to have been paid on the particular day by the pension entity under that clause A if the pension entity were a selected listed financial institution for the purposes of that Act, the following rules apply:”;

(2) by replacing subparagraph 3 of the first paragraph by the following subparagraph:

“(3) except where the pension entity is a selected listed financial institution on the particular day, if any part of the amount of the deemed tax is included in the determination of the pension rebate amount of the pension entity for a particular claim period at the end of which the pension entity was a qualifying pension entity, the pension entity shall pay to the Minister, on or before the day that is the later of the day on which the application for the rebate is filed and the day that is the last day of its claim period that immediately follows its claim period that includes the day on which the tax adjustment note is issued, the amount determined by the formula

$D \times E \times (B/C) \times (F/G)$ ; and”;

(3) by replacing the portion of subparagraph 4 of the first paragraph before the formula by the following:

“(4) except where the pension entity is a selected listed financial institution on the particular day, if any part of the amount of the deemed tax is included in the determination of the pension rebate amount of the pension entity for a particular claim period and if the pension entity makes an election for that claim period under any of sections 402.18, 402.19 and 402.19.1 jointly with all participating employers of the pension plan that are, for the calendar year that includes the last day of that claim period, qualifying employers of the pension plan, each of those participating employers shall add, in determining

its net tax for its reporting period that includes the day that is the later of the day on which the tax adjustment note is issued and the day on which the election is filed with the Minister, the amount determined by the formula”;

(4) by replacing subparagraph 4 of the second paragraph by the following subparagraph:

“(4) D is the part of the amount of the deemed tax, referred to in subparagraph 3 or 4 of the first paragraph, as the case may be;”;

(5) by replacing subparagraphs 6 and 7 of the second paragraph by the following subparagraphs:

“(6) F is the amount of the rebate determined for the pension entity under section 402.14 for the particular claim period;

“(7) G is the pension rebate amount of the pension entity for the particular claim period; and”.

(2) Paragraphs 1 and 4 of subsection 1 have effect from 22 July 2016.

(3) Paragraphs 2 and 5 of subsection 1 apply in respect of a claim period that ends after 22 July 2016. In addition, where section 450.0.4 of the Act applies

(1) in respect of a claim period that begins after 22 September 2009 and ends before 1 January 2013, the portion of subparagraph 3 of the first paragraph of that section before the formula is to be read as follows:

“(3) if any given part of the amount of the deemed tax is included in the determination of the pension rebate amount of the pension entity for a particular claim period, the pension entity shall pay to the Minister, on or before the last day of its claim period that immediately follows its claim period that includes the day on which the tax adjustment note is issued, the amount determined by the formula”; or

(2) in respect of a claim period that ends after 31 December 2012 and before 23 July 2016, the portion of subparagraph 3 of the first paragraph of that section before the formula is to be read as follows:

“(3) except where the pension entity is a selected listed financial institution on the particular day, if any given part of the amount of the deemed tax is included in the determination of the pension rebate amount of the pension entity for a particular claim period at the end of which the pension entity was a qualifying pension entity, the pension entity shall pay to the Minister, on or before the last day of its claim period that immediately follows its claim period that includes the day on which the tax adjustment note is issued, the amount determined by the formula”.

(4) Paragraph 3 of subsection 1 applies in respect of a reporting period of a person for which the return under Chapter VIII of Title I of the Act is filed after 22 July 2016 or is to be filed under that Chapter on or before a day that is after 22 July 2016. In addition, where section 450.0.4 of the Act applies

(1) in respect of a reporting period of a person for which the return is filed after 22 September 2009 and in respect of a reporting period of a person that ends before 1 January 2013, the portion of subparagraph 4 of the first paragraph of that section before the formula is to be read as follows:

“(4) if any given part of the amount of the deemed tax is included in the determination of the pension rebate amount of the pension entity for a particular claim period and if the pension entity makes an election for that claim period under section 402.18 or 402.19 jointly with all participating employers of the pension plan that are, for the calendar year that includes the last day of that claim period, qualifying employers of the pension plan, each of those participating employers shall add, in determining its net tax for its reporting period that includes the day on which the tax adjustment note is issued, the amount determined by the formula”; or

(2) in respect of a reporting period of a person that ends after 31 December 2012 and a reporting period of a person for which the return is required to be filed on or before a date that is before 23 July 2016, the portion of subparagraph 4 of the first paragraph of that section before the formula is to be read as follows:

“(4) except where the pension entity is a selected listed financial institution on the particular day, if any given part of the amount of the deemed tax is included in the determination of the pension rebate amount of the pension entity for a particular claim period and if the pension entity makes an election for that claim period under any of sections 402.18, 402.19 and 402.19.1 jointly with all participating employers of the pension plan that are, for the calendar year that includes the last day of that claim period, qualifying employers of the pension plan, each of those participating employers shall add, in determining its net tax for its reporting period that includes the day on which the tax adjustment note is issued, the amount determined by the formula”.

(5) If, upon the determination by the Minister of Revenue of the amount of any fees, interest and penalties for which a pension entity of a pension plan is liable under the Act, a particular amount has been determined as an amount payable under subparagraph 3 of the first paragraph of section 450.0.4 of the Act by the pension entity in respect of a tax adjustment note issued to the pension entity, if an eligible amount (within the meaning of section 402.13 of the Act) of the pension entity for a particular claim period (within the meaning of section 383 of the Act) of the pension entity was included in the determination of the particular amount, if the eligible amount is not included in the determination of the pension rebate amount (within the meaning of section 402.13 of the Act) of the pension entity for the particular claim period and if 23 July 2016 is after the last day of the claim period of the pension entity that immediately follows the claim period of the pension entity that includes the

day on which the tax adjustment note is issued, the pension entity is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that the eligible amount is not an amount payable under subparagraph 3 of the first paragraph of section 450.0.4 of the Act, as amended by paragraph 2 of subsection 1. On receipt of the request, the Minister shall with all due dispatch

(1) consider the request; and

(2) make an assessment or reassessment in respect of the particular amount, and of any interest, penalty or other obligation of the pension entity, solely for the purpose of taking into account that the eligible amount is not an amount payable under subparagraph 3 of the first paragraph of section 450.0.4 of the Act.

(6) If, upon the determination by the Minister of Revenue of the amount of any fees, interest and penalties for which a participating employer of a pension plan is liable under the Act, a particular amount has been determined as an amount payable under subparagraph 4 of the first paragraph of section 450.0.4 of the Act by a participating employer in respect of a tax adjustment note issued to the pension entity of the pension plan, if an eligible amount (within the meaning of section 402.13 of the Act) of the pension entity for a particular claim period (within the meaning of section 383 of the Act) of the pension entity was included in the determination of the particular amount, if the eligible amount is not included in the determination of the pension rebate amount (within the meaning of section 402.13 of the Act) of the pension entity for the particular claim period and if 23 July 2016 is after the day on which the return is filed under Chapter VIII of Title I of the Act for the reporting period of the participating employer that includes the day on which the tax adjustment note is issued, the participating employer is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that the eligible amount is not an amount payable under subparagraph 4 of the first paragraph of section 450.0.4 of the Act, as amended by paragraph 3 of subsection 1. On receipt of the request, the Minister shall with all due dispatch

(1) consider the request; and

(2) make an assessment or reassessment in respect of the particular amount, and of any interest, penalty or other obligation of the participating employer, solely for the purpose of taking into account that the eligible amount is not an amount payable under subparagraph 4 of the first paragraph of section 450.0.4 of the Act.

**244.** (1) Section 450.0.5 of the Act is replaced by the following section:

**“450.0.5.** A person may, on a particular day, issue to a pension entity of a pension plan a note (in sections 450.0.6 and 450.0.7 referred to as a “tax adjustment note”) in respect of employer resources consumed or used for the purpose of making a supply (in this section and in sections 450.0.6 and 450.0.7 referred to as the “actual pension supply”) of a property or a service to the pension entity or to a master pension entity of the pension plan, specifying an amount determined in accordance with section 450.0.6, if

(1) the person is deemed under subparagraph 2 of the first paragraph of section 289.6 or 289.6.1 to have collected tax, on or before the particular day, in respect of one or more taxable supplies, deemed to have been made by the person under subparagraph 1 of that paragraph, of the employer resources;

(2) a supply of each of those employer resources is deemed to have been received by the pension entity under subparagraph *a* of subparagraph 4 of the first paragraph of section 289.6 or 289.6.1 and tax in respect of each of those supplies is deemed to have been paid by the pension entity

(*a*) except in the case described in subparagraph *b*, under subparagraph *b* of subparagraph 4 of the first paragraph of section 289.6 or 289.6.1, or

(*b*) if the pension entity is a selected listed financial institution on the last day of the fiscal year in which the employer resources are consumed or used for the purpose of making an actual pension supply, under clause A of subparagraph ii of paragraph *d* of subsection 6 or 6.1 of section 172.1 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15); and

(3) an amount of tax becomes payable, or is paid without having become payable, on or before the particular day, to the person (otherwise than by the operation of sections 289.2 to 289.8.1) in respect of the actual pension supply

(*a*) by the pension entity, if the taxable supplies referred to in paragraph 1 are deemed to have been made under subparagraph 1 of the first paragraph of section 289.6, or

(*b*) by the master pension entity, if the taxable supplies referred to in paragraph 1 are deemed to have been made under subparagraph 1 of the first paragraph of section 289.6.1.”

(2) Subsection 1 has effect from 22 July 2016.

**245.** (1) Section 450.0.6 of the Act is amended

(1) by replacing subparagraph 1 of the second paragraph by the following subparagraph:

“(1) A is

(a) if the taxable supplies referred to in paragraph 1 of section 450.0.5 are deemed to have been made under subparagraph 1 of the first paragraph of section 289.6, the lesser of

i. the total of all amounts each of which is an amount of tax determined under subparagraph 3 of the first paragraph of section 289.6 in respect of one of those employer resources and that is deemed under subparagraph 2 of that paragraph to have become payable and to have been collected on or before the particular day, and

ii. the total of all amounts each of which is an amount of tax under the first paragraph of section 16 that became payable, or was paid without having become payable, to the person (otherwise than by the operation of sections 289.2 to 289.8.1) by the pension entity in respect of the actual pension supply on or before the particular day, or

(b) if the taxable supplies referred to in paragraph 1 of section 450.0.5 are deemed to have been made under subparagraph 1 of the first paragraph of section 289.6.1, the lesser of

i. the total of all amounts each of which is an amount of tax determined under subparagraph 3 of the first paragraph of section 289.6.1 in respect of the pension plan in respect of one of those employer resources and that is deemed under subparagraph 2 of that paragraph to have become payable and to have been collected on or before the particular day, and

ii. the amount determined by the formula

$C \times D$ ; and”;

(2) by adding the following paragraph at the end:

“For the purposes of the formula in the second paragraph,

(1) C is the total of all amounts each of which is an amount of tax under the first paragraph of section 16 that became payable, or was paid without having become payable, to the person (otherwise than by the operation of sections 289.2 to 289.8.1) by the master pension entity referred to in section 450.0.5 in respect of the actual pension supply on or before the particular day; and

(2) D is the master pension factor in respect of the pension plan for the fiscal year of the master pension entity that includes the particular day.”

(2) Subsection 1 has effect from 22 July 2016.

**246.** (1) Section 450.0.7 of the Act is amended

(1) by replacing the portion before subparagraph 1 of the first paragraph by the following:

**“450.0.7.** If a person issues a tax adjustment note to a pension entity under section 450.0.5 in respect of employer resources consumed or used for the purpose of making an actual pension supply, a supply of each of those employer resources (in this section referred to as a “particular supply”) is deemed to have been received by the pension entity under subparagraph *a* of subparagraph 4 of the first paragraph of section 289.6 or 289.6.1 and an amount of tax (in this section referred to as “deemed tax”) in respect of each of the particular supplies, where the pension entity is not a selected listed financial institution on the last day of the fiscal year of the person during which those employer resources were so consumed or used, is deemed to have been paid by the pension entity under subparagraph *b* of subparagraph 4 of the first paragraph of section 289.6 or 289.6.1, or, where the pension entity is such a financial institution, is deemed to have been paid by the pension entity under clause A of subparagraph ii of paragraph *d* of subsection 6 or 6.1 of section 172.1 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) or would be deemed to have been paid by the pension entity under that clause A if the pension entity were a selected listed financial institution on that last day for the purposes of that Act, the following rules apply:”;

(2) by replacing subparagraph 3 of the first paragraph by the following subparagraph:

“(3) except where the pension entity is a selected listed financial institution on the first day on which an amount of deemed tax is deemed to have been paid, for each particular claim period of the pension entity at the end of which the pension entity was a qualifying pension entity and for which any part of an amount of deemed tax in respect of a particular supply is included in the determination of the pension rebate amount of the pension entity, the pension entity shall pay to the Minister, on or before the day that is the later of the day on which the application for the rebate is filed and the day that is the last day of its claim period that immediately follows its claim period that includes the day on which the tax adjustment note is issued, the amount determined by the formula

$D \times E \times (B/C) \times (F/G)$ ; and”;

(3) by replacing the portion of subparagraph 4 of the first paragraph before the formula by the following:

“(4) except where the pension entity is a selected listed financial institution on the first day on which an amount of deemed tax is deemed to have been paid, for each particular claim period of the pension entity for which any part of an amount of deemed tax in respect of a particular supply is included in the determination of the pension rebate amount of the pension entity and for which

an election under any of sections 402.18, 402.19 and 402.19.1 is made jointly by the pension entity and all participating employers of the pension plan that are, for the calendar year that includes the last day of that claim period, qualifying employers of the pension plan, each of those participating employers shall add, in determining its net tax for its reporting period that includes the day that is the later of the day on which the tax adjustment note is issued and the day on which the election is filed with the Minister, the amount determined by the formula”;

(4) by replacing subparagraphs 6 and 7 of the second paragraph by the following subparagraphs:

“(6) F is the amount of the rebate determined for the pension entity under section 402.14 for the particular claim period;

“(7) G is the pension rebate amount of the pension entity for the particular claim period; and”.

(2) Paragraph 1 of subsection 1 has effect from 22 July 2016.

(3) Paragraphs 2 and 4 of subsection 1 apply in respect of a claim period that ends after 22 July 2016. In addition, where section 450.0.7 of the Act applies

(1) in respect of a claim period that begins after 22 September 2009 and ends before 1 January 2013, the portion of subparagraph 3 of the first paragraph of that section before the formula is to be read as follows:

“(3) for each particular claim period of the pension entity for which any part of an amount of deemed tax in respect of a particular supply is included in the determination of the pension rebate amount of the pension entity, the pension entity shall pay to the Minister, on or before the last day of its claim period that immediately follows its claim period that includes the day on which the tax adjustment note is issued, the amount determined by the formula”; or

(2) in respect of a claim period that ends after 31 December 2012 and before 23 July 2016, the portion of subparagraph 3 of the first paragraph of that section before the formula is to be read as follows:

“(3) except where the pension entity is a selected listed financial institution on the first day on which an amount of deemed tax is deemed to have been paid, for each particular claim period of the pension entity at the end of which the pension entity was a qualifying pension entity and for which any part of an amount of deemed tax in respect of a particular supply is included in the determination of the pension rebate amount of the pension entity, the pension entity shall pay to the Minister, on or before the last day of its claim period that immediately follows its claim period that includes the day on which the tax adjustment note is issued, the amount determined by the formula”.



(4) Paragraph 3 of subsection 1 applies in respect of a reporting period of a person for which the return under Chapter VIII of Title I of the Act is filed after 22 July 2016 or is to be filed under that Chapter on or before a day that is after 22 July 2016. In addition, where section 450.0.7 of the Act applies

(1) in respect of a reporting period of a person for which the return is filed after 22 September 2009 and in respect of a reporting period of a person that ends before 1 January 2013, the portion of subparagraph 4 of the first paragraph of that section before the formula is to be read as follows:

“(4) for each particular claim period of the pension entity for which any part of an amount of deemed tax in respect of a particular supply is included in the determination of the pension rebate amount of the pension entity and for which an election under section 402.18 or 402.19 is made jointly by the pension entity and all participating employers of the pension plan that are, for the calendar year that includes the last day of that claim period, qualifying employers of the pension plan, each of those participating employers shall add, in determining its net tax for its reporting period that includes the day on which the tax adjustment note is issued, the amount determined by the formula”; or

(2) in respect of a reporting period of a person that ends after 31 December 2012 and a reporting period of a person for which the return is required to be filed on or before a date that is before 23 July 2016, the portion of subparagraph 4 of the first paragraph of that section before the formula is to be read as follows:

“(4) except where the pension entity is a selected listed financial institution on the first day on which an amount of deemed tax is deemed to have been paid, for each particular claim period of the pension entity for which any part of an amount of deemed tax in respect of a particular supply is included in the determination of the pension rebate amount of the pension entity and for which an election under any of sections 402.18, 402.19 and 402.19.1 is made jointly by the pension entity and all participating employers of the pension plan that are, for the calendar year that includes the last day of that claim period, qualifying employers of the pension plan, each of those participating employers shall add, in determining its net tax for its reporting period that includes the day on which the tax adjustment note is issued, the amount determined by the formula”.

(5) If, upon the determination by the Minister of Revenue of the amount of any fees, interest and penalties for which a pension entity of a pension plan is liable under the Act, a particular amount has been determined as an amount payable under subparagraph 3 of the first paragraph of section 450.0.7 of the Act by the pension entity in respect of a tax adjustment note issued to the pension entity, if an eligible amount (within the meaning of section 402.13 of the Act) of the pension entity for a particular claim period (within the meaning of section 383 of the Act) of the pension entity was included in the determination of the particular amount, if the eligible amount is not included in the determination of the pension rebate amount (within the meaning of section 402.13 of the Act) of the pension entity for the particular claim period and if

23 July 2016 is after the last day of the claim period of the pension entity that immediately follows the claim period of the pension entity that includes the day on which the tax adjustment note is issued, the pension entity is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that the eligible amount is not an amount payable under subparagraph 3 of the first paragraph of section 450.0.7 of the Act, as amended by paragraph 2 of subsection 1. On receipt of the request, the Minister shall with all due dispatch

(1) consider the request; and

(2) make an assessment or reassessment in respect of the particular amount, and of any interest, penalty or other obligation of the pension entity, solely for the purpose of taking into account that the eligible amount is not an amount payable under subparagraph 3 of the first paragraph of section 450.0.7 of the Act.

(6) If, upon the determination by the Minister of Revenue of the amount of any fees, interest and penalties for which a participating employer of a pension plan is liable under the Act, a particular amount has been determined as an amount payable under subparagraph 4 of the first paragraph of section 450.0.7 of the Act by a participating employer in respect of a tax adjustment note issued to the pension entity of the pension plan, if an eligible amount (within the meaning of section 402.13 of the Act) of the pension entity for a particular claim period (within the meaning of section 383 of the Act) of the pension entity was included in the determination of the particular amount, if the eligible amount is not included in the determination of the pension rebate amount (within the meaning of section 402.13 of the Act) of the pension entity for the particular claim period and if 23 July 2016 is after the day on which the return is filed under Chapter VIII of Title I of the Act for the reporting period of the participating employer that includes the day on which the tax adjustment note is issued, the participating employer is entitled to request in writing, on or before 24 September 2021, that the Minister of Revenue make an assessment or reassessment for the purpose of taking into account that the eligible amount is not an amount payable under subparagraph 4 of the first paragraph of section 450.0.7 of the Act, as amended by paragraph 3 of subsection 1. On receipt of the request, the Minister shall with all due dispatch

(1) consider the request; and

(2) make an assessment or reassessment in respect of the particular amount, and of any interest, penalty or other obligation of the participating employer, solely for the purpose of taking into account that the eligible amount is not an amount payable under subparagraph 3 of the first paragraph of section 450.0.7 of the Act.

**247.** (1) Section 677 of the Act, amended by section 567 of chapter 14 of the statutes of 2019, is again amended, in the first paragraph,

(1) by inserting the following subparagraph after subparagraph 31.0.3:

“(31.0.4) determine, for the purposes of section 289.9.1, which circumstances are prescribed circumstances and which persons are prescribed persons;”;

(2) by inserting the following subparagraph after subparagraph 32:

“(32.1) determine, for the purposes of subparagraph *b* of paragraph 1 of section 332.1, the prescribed matters, conditions and circumstances and, for the purposes of paragraph 2 of that section, the prescribed persons and groups;”.

(2) Paragraph 1 of subsection 1 applies in respect of a supply made after 21 July 2016.

(3) Paragraph 2 of subsection 1 has effect from 23 March 2016.

ACT TO IMPROVE THE PERFORMANCE OF THE SOCIÉTÉ DE  
L'ASSURANCE AUTOMOBILE DU QUÉBEC, TO BETTER REGULATE  
THE DIGITAL ECONOMY AS REGARDS E-COMMERCE,  
REMUNERATED PASSENGER TRANSPORTATION AND TOURIST  
ACCOMMODATION AND TO AMEND VARIOUS LEGISLATIVE  
PROVISIONS

**248.** (1) Section 135 of the Act to improve the performance of the Société de l'assurance automobile du Québec, to better regulate the digital economy as regards e-commerce, remunerated passenger transportation and tourist accommodation and to amend various legislative provisions (2018, chapter 18) is amended, in paragraph 3,

(1) by replacing “foreign specified supplier” in subparagraph ii of subparagraph *a* by “specified supplier”;

(2) by replacing subparagraph *b* by the following subparagraph:

“(b) 1 September 2019, in respect of a Canadian specified supplier;”.

(2) Subsection 1 has effect from 1 January 2019. However, it does not apply in respect of a supply of incorporeal movable property or a service made before 1 March 2019 by a specified supplier, other than a foreign specified supplier, through a specified digital platform, the operator of which is registered under Division I of Chapter VIII or Division II of Chapter VIII.1 of Title I of the Act respecting the Québec sales tax (chapter T-0.1), for which the operator did not charge, collect or remit an amount as or on account of tax under Title I of the Act before that date.

**249.** (1) The Act is amended by adding the following section after section 135:

**“136.** Where section 477.2 of the Act respecting the Québec sales tax (chapter T-0.1), enacted by section 78 of this Act, applies after 31 December 2018 and before 1 September 2019 for the purpose of establishing the specified threshold of a person described in subparagraph ii of subparagraph *a* of paragraph 3 of section 135, the definition of “specified threshold” in the first paragraph of that section 477.2 is to be read as if “specified supplier” in paragraph 3 were replaced by “foreign specified supplier”.”

(2) Subsection 1 has effect from 1 January 2019.

#### REGULATION RESPECTING THE TAXATION ACT

**250.** (1) The Regulation respecting the Taxation Act (chapter I-3, r. 1) is amended by inserting the following section after section 130R194.1:

**“130R194.2.** A separate class is hereby prescribed for all of a taxpayer’s property referred to in section 156.7.6R1 and included in the same class in Schedule B.”

(2) Subsection 1 has effect from 4 December 2018.

**251.** (1) The Regulation is amended by inserting the following chapters after section 156.7.3R1:

#### **“CHAPTER VI.3**

#### **“PROPERTY GIVING ENTITLEMENT TO AN ADDITIONAL DEDUCTION OF 35% OR 60% IN RESPECT OF CERTAIN INVESTMENTS**

**“156.7.4R1.** Depreciable property of a taxpayer referred to in section 156.7.4 of the Act means property that

(a) before being acquired by the taxpayer, has not been used for any purpose nor acquired for use or lease for any purpose whatsoever;

(b) is included in Class 50 or 53 in Schedule B; and

(c) must begin to be used within a reasonable time after being acquired and be, for a period of at least 730 consecutive days after the day on which that use begins, or a shorter period in the case of the involuntary loss or destruction of the property by fire, theft or water, or material breakdown of the property, used mainly in Québec and in the course of the carrying on of a business by

i. the taxpayer, at any time in that period during which the taxpayer owns the property and does not lease it to another person,

ii. a person, other than the taxpayer, having acquired the property in any of the circumstances described in section 130R149, at any time in that period during which the person owns the property and does not lease it to another person, or

iii. a lessee of the property, at any time in that period during which the taxpayer or, where applicable, a person referred to in subparagraph ii leases the property to the lessee.

#### “CHAPTER VI.4

#### “PROPERTY GIVING ENTITLEMENT TO AN ADDITIONAL DEDUCTION OF 30% IN RESPECT OF CERTAIN INVESTMENTS

“**156.7.6R1.** Depreciable property of a taxpayer referred to in section 156.7.6 of the Act means

(a) property that

i. before being acquired by the taxpayer, has not been used for any purpose nor acquired for use or lease for any purpose whatsoever,

ii. has not been acquired by the taxpayer from a person or partnership with which the taxpayer was not dealing at arm’s length at the time of the acquisition,

iii. is property that

(1) is included in Class 43.1 or 43.2 in Schedule B,

(2) is included in Class 50 in Schedule B, unless it was acquired before 1 July 2019 pursuant to an obligation in writing entered into before 4 December 2018 or its construction, by or on behalf of the taxpayer, began before 4 December 2018, or

(3) is included in Class 53 in Schedule B or, if it is acquired after 31 December 2025, is included in Class 43 in that Schedule and would have been included in that Class 53 had it been acquired in 2025, unless it is acquired before 1 July 2019 pursuant to an obligation in writing entered into before 4 December 2018 or its construction, by or on behalf of the taxpayer, began before 4 December 2018, and

iv. must begin to be used within a reasonable time after being acquired and be, for a period of at least 730 consecutive days after the day on which that use begins, or a shorter period in the case of the involuntary loss or destruction of the property by fire, theft or water, or material breakdown of the property, used mainly in Québec and in the course of the carrying on of a business by

(1) the taxpayer, at any time in that period during which the taxpayer owns the property and does not lease it to another person,

(2) a person, other than the taxpayer, having acquired the property in any of the circumstances described in section 130R149, at any time in that period during which the person owns the property and does not lease it to another person, or

(3) a lessee of the property, at any time in that period during which the taxpayer or, where applicable, a person referred to in subparagraph ii leases the property to the lessee; or

(b) incorporeal property that

i. is included in any of Classes 14, 14.1 and 44 in Schedule B,

ii. is acquired by the taxpayer in the course of a technology transfer or developed by or on behalf of the taxpayer to enable the taxpayer to implement an innovation or invention concerning the taxpayer's business,

iii. begins to be used within a reasonable time following its acquisition or the completion of its development,

iv. is used only in Québec during the period covering the process of implementing the innovation or invention, in subparagraph v referred to as the "implementation period", and primarily in the course of the carrying on of a business by the taxpayer or, where applicable, by any other person who acquired the property in any of the circumstances described in section 130R149,

v. is not, during the implementation period, a property used for the purpose of gaining or producing gross revenue that is rent or a royalty, and

vi. is not acquired by the taxpayer from a person or partnership with which the taxpayer is not dealing at arm's length.

For the purposes of subparagraph *b* of the first paragraph,

(a) an incorporeal property means a patent or a right to use patented information, a licence, a permit, know-how, a commercial secret or other similar property constituting knowledge, but does not include a trademark, an industrial design, a copyright or other similar property constituting the expression of knowledge;

(b) a technology transfer means the transmission to a taxpayer of knowledge in the form of know-how, techniques, processes or formulas, with a view to enabling the taxpayer to implement an innovation or invention concerning the taxpayer's business; and

(c) a property is deemed to be used only in Québec where it is used as part of the process of implementing an innovation or invention and where the efforts to implement that innovation or invention are made only in Québec."

(2) Subsection 1, where it enacts Chapter VI.3 of Title XVI of the Regulation, has effect from 29 March 2017.

(3) Subsection 1, where it enacts Chapter VI.4 of Title XVI of the Regulation, has effect from 4 December 2018.

**252.** (1) Sections 1000.2R1 to 1010.0.0.1R1 of the Regulation are replaced by the following sections:

**“1000.2R1.** A property to which subparagraph *b* of the second paragraph of section 1000.2 of the Act refers is

(*a*) a property of a taxpayer included in a separate class of the taxpayer under section 130R194.1; or

(*b*) a property of a taxpayer included in a separate class of the taxpayer under section 130R194.2.

The conditions to which subparagraph *b* of the third paragraph of section 1000.2 of the Act refers are as follows:

(*a*) in the case of a property described in subparagraph *a* of the first paragraph, the conditions described in paragraphs *b* and *c* of section 130R194.1; or

(*b*) in the case of a property described in subparagraph *b* of the first paragraph, the conditions described in subparagraph iv of paragraph *a* of section 156.7.6R1 or in subparagraphs iv and v of paragraph *b* of that section, as the case may be.

**“1000.3R1.** A property to which subparagraph *b* of the second paragraph of section 1000.3 of the Act refers is

(*a*) a property of a partnership included in a separate class of the partnership under section 130R194.1; or

(*b*) a property of a partnership included in a separate class of the partnership under section 130R194.2.

The conditions to which subparagraph *b* of the third paragraph of section 1000.3 of the Act refers are as follows:

(*a*) in the case of a property described in subparagraph *a* of the first paragraph, the conditions described in paragraphs *b* and *c* of section 130R194.1; or

(*b*) in the case of a property described in subparagraph *b* of the first paragraph, the conditions described in subparagraph iv of paragraph *a* of section 156.7.6R1 or in subparagraphs iv and v of paragraph *b* of that section, as the case may be.

**“1010.0.0.1R1.** A property to which subparagraph *b* of the second paragraph of section 1010.0.0.1 of the Act refers is

(*a*) a property of a taxpayer or a partnership included in a separate class of the taxpayer or partnership under section 130R194.1; or

(*b*) a property of a taxpayer or a partnership included in a separate class of the taxpayer or partnership under section 130R194.2.

The conditions to which subparagraph *b* of the third paragraph of section 1010.0.0.1 of the Act refers are as follows:

(*a*) in the case of a property described in subparagraph *a* of the first paragraph, the conditions described in paragraphs *b* and *c* of section 130R194.1; or

(*b*) in the case of a property described in subparagraph *b* of the first paragraph, the conditions described in subparagraph iv of paragraph *a* of section 156.7.6R1 or in subparagraphs iv and v of paragraph *b* of that section, as the case may be.”

(2) Subsection 1 has effect from 4 December 2018.

**253.** (1) Section 1029.8.61.19.1R1 of the Regulation is replaced by the following section:

**“1029.8.61.19.1R1.** The rules to which each of subparagraphs *a* and *b* of the first paragraph of section 1029.8.61.19.1 of the Act refers for the purpose of determining if a child is in any of the situations described in subparagraphs i and ii of that subparagraph *a* or *b* are the rules prescribed in sections 1029.8.61.19.1R2 to 1029.8.61.19.1R5.”

(2) Subsection 1 has effect from 1 April 2019.

**254.** (1) Section 1029.8.61.19.1R3 of the Regulation is amended

(1) by replacing the portion before paragraph *a* by the following:

**“1029.8.61.19.1R3.** For the purpose of computing the amount for the first level and for the purposes of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.61.19.1 of the Act, a child who has an impairment or a mental function disability entailing serious and multiple disabilities is considered to have disabilities preventing him or her from independently performing the life habits of a child of his or her age only if the outcome of the interaction between the child’s disabilities and the environmental factors as facilitators of, and barriers to, the performance of the child’s life habits in the child’s various living environments causes;”;



(2) by adding the following paragraph at the end:

“For the purpose of computing the amount for the second level and for the purposes of subparagraph *i* of subparagraph *b* of the first paragraph of section 1029.8.61.19.1 of the Act, a child who has an impairment or a mental function disability entailing serious and multiple disabilities is considered to have disabilities preventing him or her from independently performing the life habits of a child of his or her age only if the outcome of the interaction between the child’s disabilities and the environmental factors as facilitators of, and barriers to, the performance of the child’s life habits in the child’s various living environments causes,

(*a*) if the child is less than four years of age, an absolute limitation in performing one life habit among the life habits that are nutrition, mobility and communication and a serious or absolute limitation in performing at least one other life habit among those life habits; and

(*b*) if the child is four years of age or over,

i. an absolute limitation in performing two life habits and a serious or absolute limitation in performing at least one other life habit, or

ii. an absolute limitation in performing a life habit in respect of mobility and a serious or absolute limitation in performing at least one other life habit.”

(2) Subsection 1 has effect from 1 April 2019.

**255.** (1) The Regulation is amended by inserting the following Title after section 1123R1:

**“TITLE XLIV.1**

**“SPECIAL TAX RELATING TO THE ADDITIONAL DEDUCTION OF 35% OR 60% IN RESPECT OF CERTAIN INVESTMENTS**

**“1129.4.33R1.** The conditions to which section 1129.4.33 of the Act refers are those mentioned in paragraph *c* of section 156.7.4R1.

**“1129.4.34R1.** The conditions to which section 1129.4.34 of the Act refers are those mentioned in paragraph *c* of section 156.7.4R1.”

(2) Subsection 1 has effect from 29 March 2017.

## REGULATION RESPECTING THE QUÉBEC SALES TAX

**256.** (1) Section 332R2 of the Regulation respecting the Québec sales tax (chapter T-0.1, r. 2) is amended

(1) by replacing the portion before subparagraph *a* of subparagraph 2 of the first paragraph by the following:

**“332R2.** For the purposes of section 332 of the Act, any other corporation is a prescribed corporation in relation to a particular corporation if

(1) it is the case that

(*a*) the specified shares of the other corporation, each of which meets the following conditions, represent not less than 90% of the total value and number of all such shares:

i. it is owned by the particular corporation,

ii. it is owned by a corporation that is closely related to the particular corporation by reason of paragraph 1 of section 332 of the Act,

iii. it is owned by any of the persons described in subparagraph 1 of the second paragraph, or

iv. it cannot be traded on a stock exchange and is held in trust for the benefit of the other corporation or of an employee referred to in subparagraph *a* of subparagraph 1 of the second paragraph and the beneficial ownership of which by the employee arose in respect of the employment of the employee;

(*b*) the specified shares of the other corporation, each of which is owned by a corporation referred to in subparagraph i or ii of subparagraph *a*, represent not less than 50% of the total value and number of all such shares; and

(*c*) the particular corporation would hold qualifying voting control in respect of the other corporation if the particular corporation were to own

i. the specified shares of the other corporation that are referred to in subparagraphs i to iv of subparagraph *a*, and

ii. the issued and outstanding shares of the capital stock of the other corporation that are not specified shares and that would be referred to in subparagraphs i to iv of subparagraph *a* if they were specified shares; or

(2) qualifying voting control in respect of the other corporation is held by, and not less than 90% of the total value and number of all specified shares of the other corporation are owned by;”;

(2) by replacing “subparagraph 1 of the first paragraph” in subparagraph *b* of subparagraph 2 of the first paragraph by “paragraph 1”;

(3) by replacing the second paragraph by the following paragraph:

“For the purposes of subparagraph iii of subparagraph *a* of subparagraph 1 of the first paragraph,

(1) the persons referred to in that subparagraph iii are

(*a*) an employee of the other corporation, of a corporation that is closely related to the other corporation by reason of paragraph 1 of section 332 of the Act or of a corporation referred to in subparagraph i or ii of subparagraph *a* of subparagraph 1 of the first paragraph; or

(*b*) a corporation in respect of which the employees referred to in subparagraph *a* hold qualifying voting control and own not less than 90% of the total value and number of all specified shares; and

(2) the specified shares of the corporation referred to in subparagraph *b* of subparagraph 1, or of the other corporation, as the case may be, that are owned by employees referred to in subparagraph 1 are shares that must not be traded on a stock exchange and the ownership of which by the employees must arise in respect of their employment.”

(2) Subsection 1 applies from 22 March 2017. It also applies from 23 March 2016

(1) in respect of an election made under section 297.0.2.1 or 334 of the Act respecting the Québec sales tax (chapter T-0.1) that was not filed before 23 March 2016 and that becomes effective after 22 March 2016 but before 22 March 2017; or

(2) for the purpose of applying subparagraphs 2 and 3 of the first paragraph of section 1R3 of the Regulation in respect of a supply of a service if the agreement for the supply is entered into after 22 March 2016 but before 22 March 2017 and it is not the case that all or substantially all of the service is performed before 22 March 2017.

## TRANSITIONAL AND FINAL PROVISIONS

**257.** In applying sections 155 to 159, 253 and 254 in respect of an application referred to in the second paragraph of section 1029.8.61.19.1 of the Taxation Act (chapter I-3) and filed for the purpose of taking into consideration an amount in respect of the supplement for handicapped children requiring exceptional care for a particular month that begins after 31 March 2019, the following rules apply:

(1) if the particular month is the month of April or May 2019, the application may, despite the expiry of the time limit provided for in the second paragraph of section 1029.8.61.19.1 of the Act, be filed with Retraite Québec on or before 11 May 2020; and

(2) each application filed for that purpose in respect of which Retraite Québec has rendered, before 11 June 2019, an unfavourable decision because of the child's handicap situation is deemed to have been filed on 11 June 2019, except where

- (a) the child has died before 1 April 2019;
- (b) the child has attained the age of 18 years before 1 April 2019; or
- (c) the child is lodged or sheltered pursuant to the law.

**258.** This Act comes into force on 24 September 2020.