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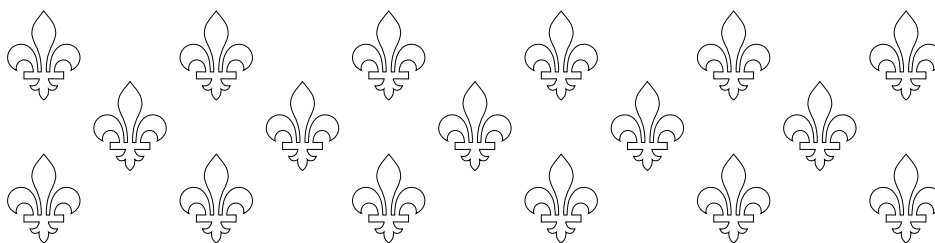
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NATIONAL ASSEMBLY

FIRST SESSION

THIRTY-SEVENTH LEGISLATURE

Bill 45
(2004, chapter 21)

**An Act giving effect to the Budget
Speech delivered on 12 June 2003 and to
certain other budget statements**

**Introduced 12 May 2004
Passage in principle 19 May 2004
Passage 2 November 2004
Assented to 3 November 2004**

**Québec Official Publisher
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EXPLANATORY NOTES

This bill amends various legislation to give effect to the Budget Speech delivered on 12 June 2003. Accordingly, the bill amends primarily the Taxation Act, in particular,

(1) to permit the deduction, for the purposes of the refundable tax credit for adoption expenses, of travel and accommodation expenses paid by parents to pick up an adopted child escorted to a large urban centre situated in Québec;

(2) to reduce the deduction relating to stock options;

(3) to introduce a cap on deductible expenses for food, beverages and entertainment corresponding to 1% of gross revenue from a business or property;

(4) to provide for the tightening of various fiscal measures concerning businesses, including the elimination of tax benefits in designated sites, the elimination of certain benefits granted to financial institutions and the reduction of tax assistance relating to numerous tax credits and tax holidays.

The bill repeals the tax exemption on the income of labour-sponsored funds and of Capital régional et coopératif Desjardins, sets temporary limits to their capitalization and relaxes investment standards that apply to them.

The bill also amends the Act respecting the Québec sales tax, in particular,

(1) to permit the voluntary registration of Canadian freight carriers not resident in Québec;

(2) to provide that the input tax refund claimed in respect of expenses for food, beverages and entertainment is not to exceed a cap of 1% of the gross revenue from a business or property.

The bill also gives effect, in an incidental manner, to the Budget Speeches delivered on 1 November 2001 and 30 March 2004, to the Supplement of the Government's Budgetary Policy of 19 March 2002

and to various other announcements made by the Minister of Finance and the Ministère des Finances in 2001, 2002, 2003 and 2004.

The bill amends the Tobacco Tax Act to increase the tax on tobacco products.

The bill amends the Taxation Act mainly to introduce a number of fiscal measures specific to Québec and to amend existing measures. In particular, the amendments

- (1) index the main parameters of the personal income tax system;*
- (2) make changes to the refundable tax credit for home support for elderly persons;*
- (3) extend the lifetime capital gains exemption of \$500,000 to the fishery sector;*
- (4) grant a deduction to the members of a cooperative in respect of the patronage dividends they receive;*
- (5) introduce rules relating to gifts made to certain political education organizations;*
- (6) make changes to the tax system applicable to trusts and their beneficiaries;*
- (7) implement fiscal rules resulting from the opening of a farm income stabilization account;*
- (8) temporarily increase the tax credit relating to resources;*
- (9) make changes to certain requirements of the stock savings plan.*

The bill amends the Act respecting the Ministère du Revenu to make the duties, interest and penalties mentioned in a notice of assessment payable as of the date the notice is sent.

The bill amends the Act respecting the Régie de l'assurance maladie du Québec to make certain adjustments to the parameters used to establish the contribution of individuals to the health services fund.

The bill also amends the Act respecting the Québec sales tax, in particular to eliminate the specific duty on perchloroethylene.

Lastly, the bill amends other legislation to make various technical amendments, including consequential and terminology-related amendments.

LEGISLATION AMENDED BY THIS BILL:

- Act constituting Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1);
- Act respecting international financial centres (R.S.Q., chapter C-8.3);
- Mining Duties Act (R.S.Q., chapter D-15);
- Act respecting duties on transfers of immovables (R.S.Q., chapter D-15.1);
- Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi (R.S.Q., chapter F-3.1.2);
- Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1);
- Tobacco Tax Act (R.S.Q., chapter I-2);
- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the Ministère du Revenu (R.S.Q., chapter M-31);
- Act respecting the Régie de l’assurance maladie du Québec (R.S.Q., chapter R-5);
- Act respecting property tax refund (R.S.Q., chapter R-20.1);
- Act respecting income support, employment assistance and social solidarity (R.S.Q., chapter S-32.001);
- Act respecting the Québec sales tax (R.S.Q., chapter T-0.1);
- Act respecting international financial centres (1999, chapter 86);
- Act giving effect to the Budget Speech delivered on 1 November 2001, to the supplementary statement of 19 March 2002 and to certain other budget statements (2003, chapter 9).

Bill 45

AN ACT GIVING EFFECT TO THE BUDGET SPEECH DELIVERED ON 12 JUNE 2003 AND TO CERTAIN OTHER BUDGET STATEMENTS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

ACT CONSTITUTING CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

1. (1) The Act constituting Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1) is amended by inserting the following section after the heading of Chapter II:

“8.1. For the purposes of this Act, “capitalization period” means a period that is

(1) the period that begins on 1 July 2001 and ends on 31 December 2001;

(2) the period that begins on 1 January 2002 and ends on 28 February 2003;
or

(3) for any period beginning after 28 February 2003, the period that begins on 1 March of a calendar year and ends on the last day of February of the following calendar year, not extending beyond 28 February 2011, except that, in respect of the capitalization period that ends on 28 February 2005, that period begins on 31 March 2004.”

(2) Subsection 1 has effect from 1 July 2001.

2. (1) Section 10 of the said Act is replaced by the following section:

“10. The total amount of the subscription for the issued and outstanding shares and fractional shares of the Société may not exceed, at the end of a capitalization period, the amount provided for in Schedule 1 in respect of that capitalization period.”

(2) Subsection 1 has effect from 1 July 2001.

3. (1) Section 19 of the said Act is amended

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

“For the purposes of this section, the following rules apply:

(1) the average net assets for the preceding fiscal year shall be determined by adding the net assets at the beginning of that preceding year to the net assets at the end of that preceding year and by dividing the sum so obtained by 2;

(2) the net assets do not include the movable or immovable property used by the Société to carry on its operations; and

(3) the average investments for the current fiscal year shall be determined by the formula

$(A + B + C + D) / 2$.”;

(2) by inserting the following paragraph after the third paragraph:

“In the formula provided for in subparagraph 3 of the third paragraph,

(1) A is the Société’s investments permitted under this section and entailing no security or hypothec, at the beginning of the current fiscal year;

(2) B is the Société’s investments permitted under this section and entailing no security or hypothec, at the end of the current fiscal year;

(3) C is the amount by which an amount that is the total of the disinvestments for the current fiscal year that relate to investments entailing no security or hypothec, already made by the Société and permitted under this section, exceeds an amount equal to 2% of the Société’s average net assets for the preceding fiscal year; and

(4) D is the amount determined under subparagraph 3 for the fiscal year preceding the current fiscal year.”;

(3) by replacing ““\$100,000,000” and “\$40,000,000”” in subparagraph 2 of the fourth paragraph by ““\$350,000,000” and “\$150,000,000””;

(4) by adding the following subparagraphs after subparagraph 2 of the fourth paragraph:

“(3) strategic investments made after 11 March 2003, in accordance with an investment policy adopted by the board of directors of the Société and approved by the Minister of Finance, in an entity whose assets are less than \$500,000,000 or whose net equity is not over \$200,000,000; and

“(4) the investment entailing no security or hypothec made after 11 March 2003 in an eligible entity through a limited partnership in which the Société holds an interest, directly or through another limited partnership, not exceeding the proportion of the Société’s direct or indirect interest in the limited partnership that made the investment.”;

(5) by replacing the fifth paragraph by the following paragraph:

“The total investments permitted under subparagraphs 1 and 2 of the fifth paragraph may not exceed 20% of the net assets of the Société at the end of the preceding fiscal year. For the purposes of subparagraph 1 of the fifth paragraph, a broker acting as an intermediary or underwriter is not considered to be a first purchaser.”;

(6) by inserting the following paragraphs after the fifth paragraph:

“The total investments permitted under subparagraph 3 of the fifth paragraph may not exceed 5% of the net assets of the Société at the end of the preceding fiscal year.

“For the purposes of the second paragraph, the investments permitted under subparagraph 3 of the fifth paragraph are not considered to have been made in entities situated in the resource regions of Québec referred to in Schedule 2.”

(2) Paragraphs 1 to 3, 5 and 6 of subsection 1 apply to fiscal years that end after 11 March 2003. However, where section 19 of the said Act applies to the fiscal year that includes 11 March 2003,

(1) the formula provided for in subparagraph 3 of the third paragraph of that section shall be replaced by the following formula:

“(A + B + C) / 2.”;

(2) the fourth paragraph of that section shall be read without reference to subparagraph 4 thereof; and

(3) the seventh paragraph of that section shall be read with the reference to “at the end of the preceding fiscal year” replaced by a reference to “on 1 March 2003”.

(3) Paragraph 4 of subsection 1, where it enacts subparagraph 3 of the fifth paragraph of section 19 of the said Act, applies to fiscal years that end after 11 March 2003.

(4) Paragraph 4 of subsection 1, where it enacts subparagraph 4 of the fifth paragraph of section 19 of the said Act, has effect from 12 March 2003.

4. (1) Schedule 1 of the said Act is replaced by the following Schedule:

“SCHEDULE 1

(Section 10)

TOTAL AMOUNT OF THE SUBSCRIPTION FOR THE ISSUED AND
OUTSTANDING SHARES AND FRACTIONAL SHARES AT THE END OF
EACH CAPITALIZATION PERIOD

- \$150,000,000 on 31 December 2001;
- \$300,000,000 on 28 February 2003;
- \$375,000,000 on 29 February 2004;
- \$475,000,000 on 28 February 2005;
- \$625,000,000 on 28 February 2006;
- \$775,000,000 on 28 February 2007;
- \$925,000,000 on 29 February 2008;
- \$1,075,000,000 on 28 February 2009;
- \$1,225,000,000 on 28 February 2010;
- \$1,375,000,000 on 28 February 2011.”

(2) Subsection 1 has effect from 1 July 2001.

ACT RESPECTING INTERNATIONAL FINANCIAL CENTRES

5. (1) Section 4 of the Act respecting international financial centres (R.S.Q., chapter C-8.3) is amended

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

““individual” has the meaning assigned by Part I of the Taxation Act;”;

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

““person” has the meaning assigned by Part I of the Taxation Act;”.

(2) Paragraph 1 of subsection 1 applies to taxation years that end after 20 October 2000.

(3) Paragraph 2 of subsection 1 has effect from 20 December 1999.

6. (1) Section 6 of the said Act is amended by replacing the second paragraph by the following paragraph:

“The conditions set out in subparagraphs 3 and 4 of the first paragraph shall not be considered not satisfied merely because a qualified international financial transaction was initiated by a client who, for that purpose, went to an office or branch of the corporation or partnership other than the place referred to in that subparagraph 4.”

(2) Subsection 1 has effect from 20 December 1999.

7. (1) Section 7 of the said Act is amended

(1) by replacing subparagraph *c* of paragraph 22 by the following subparagraph:

“(c) a person or partnership not described in subparagraph *a* or *b*, in relation to a qualified international financial transaction carried out by or on behalf of that person or partnership;”;

(2) by adding the following paragraphs after paragraph 23:

“(24) engaging in activities relating to the deposit of money or fiduciary services, or in dealer or adviser activities, that are carried on with investor immigrants in the course of their participation in the Programme des immigrants investisseurs pour l’aide aux entreprises adopted by Order in Council 701-2000 dated 7 June 2000, and that are directly related to the requirements of the program; and

“(25) performing a discounting operation by a corporation or partnership in respect of a letter of credit or a bill, if the operation is performed

(a) in the course of a transaction in which the corporation or partnership is dealing at arm’s length for the purposes of Part I of the Taxation Act with the debtor or transferor of the letter of credit or of the bill, and has no right of recourse against them, and

(b) consecutively or incidentally, in the case of a letter of credit, to a qualified international financial transaction described in paragraph 7 and, in the case of a bill, to the participation of a corporation or partnership operating an international financial centre in a qualified international financial transaction described in paragraph 23.”

(2) Paragraph 1 of subsection 1 and paragraph 2 of that subsection, where it enacts paragraph 24 of section 7 of the said Act, have effect from 20 December 1999. However, where paragraph 24 of section 7 applies before 5 July 2001, it shall be read as follows:

“(24) engaging in lending activities, or in activities relating to the deposit of money, fiduciary services or financial packaging services, or in dealer or adviser activities, that are carried on with investor immigrants in the course of their participation in the program for investor immigrants administered under subdivision 3 of Division II of the Regulation respecting the selection of foreign nationals (R.R.Q., 1981, chapter M-23.1, r.2) or the Programme des immigrants investisseurs pour l’aide aux entreprises adopted by Order in Council 701-2000 dated 7 June 2000; and”.

(3) Paragraph 2 of subsection 1, where it enacts paragraph 25 of section 7 of the said Act, has effect from 30 March 2001.

8. (1) Section 19 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**19.** The Minister shall issue, for the calendar year, to a corporation or partnership a certificate recognizing, for all or part of the year, one of its employees as a foreign specialist where,

(1) the qualification certificate issued to the corporation or partnership pursuant to section 14 in respect of the employee is valid in respect of the year or the part of the year; and

(2) throughout the year or the part of the year, at least one of the following conditions is satisfied:

(a) the employee’s duties with the person or partnership referred to in subparagraph *a* of subparagraph 2 of the first paragraph of section 66 were devoted, in a proportion of at least 75%, to the establishment of the business which shall constitute an international financial centre of the corporation or partnership,

(b) the employee’s duties with the corporation or partnership were devoted, in a proportion of at least 75%, to the operations of a business of the corporation or partnership in respect of which a qualification certificate issued under section 10 was valid, other than back office activities, or

(c) the employee’s duties with the corporation or partnership were devoted, in a proportion of at least 75%, to the operations of the business described in subparagraph *b* and the employee was a member of the strategic personnel of the business.”

(2) Subsection 1 applies from 1 January 2001.

9. (1) Section 49 of the said Act is amended

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

““trust” has the meaning assigned by section 646 of the Taxation Act.”;

(2) by striking out “(chapitre I-3)” in the French text of the definition of “perte”.

(2) Subsection 1 applies to taxation years that end after 20 October 2000.

10. (1) Section 52 of the said Act is amended by replacing “each of which is” in subparagraphs 1 and 2 of the first paragraph by “each of which is 75% of”.

(2) Subsection 1 applies to taxation years of a person that end after 12 June 2003. However, where the percentage of 75% provided for in subparagraphs 1 and 2 of the first paragraph of section 52 of the said Act is to be applied

(1) to the person’s income or loss for such a taxation year of the person that includes 12 June 2003, from the operations of an international financial centre operated by the person, the percentage of 75% shall be replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 during which the person operates the international financial centre is of the number of days in the taxation year during which the person operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 during which the person operates the international financial centre is of the number of days in the taxation year during which the person operates the international financial centre;

(2) to the person’s share or, by reason of section 56.1 of the said Act, to 30% of the person’s share of the income or loss of a partnership for a fiscal period of the partnership that ends in such a taxation year of the person and includes 12 June 2003 or ends before that date, from the operations of an international financial centre operated by the partnership, the percentage of 75% shall be replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre.

11. (1) Section 54 of the said Act is amended by replacing “of which the person is a member at the end of that fiscal period ends in the part of the reference period established in respect of the person under section 69 included in that year” by “of which the individual is a member at the end of that fiscal period ends in the part of the individual’s reference period, established under section 69, in relation to an employment that is included in that year”.

(2) Subsection 1 has effect from 1 January 2001.

12. (1) Section 55 of the said Act is amended by replacing the second paragraph by the following paragraph:

“However, the amount determined under the first paragraph for a taxation year in respect of a person shall in no case exceed the person’s income for the year, computed for the purposes of Part I of the Taxation Act (chapter I-3) without reference to 75% of any income or loss from the operations of an international financial centre operated by the person in the year and without reference to 75% of the person’s share of any income or loss from the operations of such a centre operated by the partnership in the fiscal period.”

(2) Subsection 1 applies to taxation years of a person that end after 20 October 2000. However, where the second paragraph of section 55 of the said Act applies

(1) to such a taxation year of the person that ends before 13 June 2003, it shall be read without reference to “75% of” wherever it appears;

(2) to a taxation year of the person that ends after 12 June 2003 and that includes that date, and the percentage of 75% first mentioned in that paragraph is to be applied to the person’s income or loss for such a taxation year of the person from the operations of an international financial centre operated by the person, the percentage of 75% shall be replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 during which the person operates the international financial centre is of the number of days in the taxation year during which the person operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 during which the person operates the international financial centre is of the number of days in the taxation year during which the person operates the international financial centre;

(3) to a taxation year of the person that ends after 12 June 2003 and the percentage of 75% mentioned secondly in that paragraph is to be applied to the person’s share or, by reason of section 56.1 of the said Act, to 30% of the person’s share of the income or loss of a partnership for a fiscal period of the

partnership that ends in such a taxation year of the person and includes 12 June 2003 or ends before that date, from the operations of an international financial centre operated by the partnership, the percentage of 75% shall be replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre.

13. (1) Section 56 of the said Act is replaced by the following section:

“56. For the purposes of Title VII of Book IV of Part I of the Taxation Act (chapter I-3), the non-capital loss, farm loss, net capital loss or limited partnership loss, for a taxation year, of a person who, in that year is a corporation that operates an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre, shall be determined as if 75% of the person’s income or loss for the year from the operations of any international financial centre operated by the person and 75% of the person’s share of the partnership’s income or loss for the fiscal period from the operations of any international financial centre operated by the partnership were nil.”

(2) Subsection 1 applies to taxation years of a person that end after 12 June 2003. However,

(1) where the percentage of 75% first mentioned in section 56 of the said Act is to be applied to the person’s income or loss for such a taxation year of the person that includes 12 June 2003, from the operations of an international financial centre operated by the person, the percentage of 75% shall be replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 during which the person operates the international financial centre is of the number of days in the taxation year during which the person operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 during which the person operates the international financial centre is of the number of days in the taxation year during which the person operates the international financial centre; and

(2) where the percentage of 75% mentioned secondly in section 56 of the said Act is to be applied to the person's share or, by reason of section 56.1 of the said Act, to 30% of the person's share of the income or loss of a partnership for a fiscal period of the partnership that ends in such a taxation year of the person and includes 12 June 2003 or ends before that date, from the operations of an international financial centre that the partnership operates, the percentage of 75% shall be replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre.

14. (1) The said Act is amended by inserting the following sections after section 56:

“56.1. Where sections 52, 55 and 56 apply to a person who is an individual, other than a trust, who was resident in Canada at any time in the taxation year, or is a trust, the reference therein to “the person's share” shall be read, wherever it appears, as a reference to “30% of the person's share”.

“56.2. Where a corporation or partnership operates an international financial centre and, in the course of operating the centre, the corporation or partnership carries out a qualified international financial transaction referred to in paragraph 24 of section 7 after 4 July 2001, the income or loss of the corporation or partnership from the operations of the centre shall, for the purposes of sections 52 to 56, be computed as if only the fees that are paid or required to be paid to the corporation or partnership by IQ Immigrants Investisseurs Inc. in accordance with an agreement referred to in section 34.1 of the Regulation respecting the selection of foreign nationals (R.R.Q., 1981, chapter M-23.1, r.2) that the corporation or partnership entered into with IQ Immigrants Investisseurs Inc. were the fees or any other consideration that the corporation or partnership receives or is to receive in relation to the qualified international financial transaction.”

(2) Subsection 1, where it enacts section 56.1 of the said Act, applies to taxation years of a person that end after 20 October 2000. However, where the person is a member of a partnership that, in a fiscal period of the partnership that includes 20 October 2000 or ends before that date, operates an international financial centre, section 56.1 of the said Act shall, for the application of

sections 52, 55 and 56 of the said Act to the taxation year of the person in which the fiscal period ends and in relation to the person's share of the income or loss of the partnership for the fiscal period, be read with the percentage of 30% replaced by the total of

(1) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 21 October 2000 is of the number of days in the fiscal period; and

(2) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that follow 20 October 2000 is of the number of days in the fiscal period.

(3) Subsection 1, where it enacts section 56.2 of the said Act, has effect from 5 July 2001.

15. (1) Section 57 of the said Act, amended by section 1 of chapter 8 of the statutes of 2004, is again amended by replacing "any amount" by "75% of any amount".

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 57 of the said Act applies to such a taxation year that includes that date, it shall be read with the percentage of 75% replaced by the total of

(1) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 is of the number of days in the taxation year; and

(2) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 is of the number of days in the taxation year.

16. (1) Section 58 of the said Act is amended by replacing "the amount by which" in the portion before paragraph 1 by "75% of the amount by which".

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 58 of the said Act applies to such a taxation year that includes that date, it shall be read with the percentage of 75%, in the portion before paragraph 1, replaced by the total of

(1) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 is of the number of days in the taxation year; and

(2) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 is of the number of days in the taxation year.

17. (1) Section 59 of the said Act is amended by replacing “the lesser of” in the portion before paragraph 1 by “75% of the lesser of”.

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 59 of the said Act applies to such a taxation year that includes that date, it shall be read with the percentage of 75%, in the portion before paragraph 1, replaced by the total of

(1) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 is of the number of days in the taxation year; and

(2) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 is of the number of days in the taxation year.

18. (1) Section 60 of the said Act is amended by replacing “any part” by “75% of the part”.

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 60 of the said Act applies to such a taxation year that includes that date, it shall be read with the percentage of 75% replaced by the total of

(1) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 is of the number of days in the taxation year; and

(2) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 is of the number of days in the taxation year.

19. (1) Section 63 of the said Act is amended

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

“63. No amount shall be deducted or withheld under section 1015 of the Taxation Act (chapter I-3) in respect of the part of the remuneration referred to in the second paragraph, for a period or part of a period of a taxation year, of an employee of a corporation or partnership operating an international financial centre, from the employee’s employment with the corporation or partnership, where the following conditions are satisfied:”;

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

“The part of the remuneration to which the first paragraph refers is

(1) in the case of an employee in respect of whom subparagraph 1 of the first paragraph applies by reason of a qualification certificate issued in respect of the employee pursuant to section 15 in relation to that employment, or in respect of whom subparagraph 2 of the first paragraph applies by reason of a certificate issued in respect of the employee pursuant to section 20 or 21 in relation to that employment, 37.5%, or 50% for the part attributable to a period preceding 13 June 2003, of the employee's wages, within the meaning of section 72, from that employment for the period or the part of the period concerned; or

(2) in the case of another employee, the product obtained by multiplying the employee's remuneration for the period or the part of the period concerned by the percentage determined in subparagraph 1 of the second paragraph of section 65 in respect of that employment.”;

(3) by adding the following paragraph after the second paragraph:

“For the purposes of subparagraph 2 of the second paragraph, for the purpose of determining the percentage applicable in respect of an employment, the employment referred to in that subparagraph held by the employee under a particular employment contract, is deemed, where the third paragraph of section 69.3 applies to the employee, to be an employment held by the employee under a deemed employment contract, within the meaning of subparagraph 1 of that third paragraph, continuing the particular contract.”

(2) Subsection 1 applies from the taxation year 2003. In addition, where the second paragraph of section 63 of the said Act applies to taxation years that end after 31 December 2000 and before 1 January 2003, the reference to “one-third” therein shall be read as a reference to “one-half”.

20. (1) Section 64 of the said Act is amended

(1) by replacing the portion before paragraph 1 by the following:

“**64.** Seventy-five percent of the wages paid by a corporation or partnership operating an international financial centre to one of the employees of the business of the corporation or partnership that constitutes the international financial centre do not constitute wages subject to the contribution provided for in section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) if the wages are attributable to”;

(2) by replacing “ou société de personnes” in the French text of paragraph 2 by “ou de la société de personnes”;

(3) by adding the following paragraph:

“However, for the part of the wages paid that is attributable to a period, or part of a period, preceding 13 June 2003, the first paragraph shall be read with “Seventy-five percent” in the portion before subparagraph 1 replaced by “One hundred percent”.”

(2) Subsection 1 applies in respect of wages paid or deemed paid after 12 June 2003.

21. (1) Sections 65 to 68 of the said Act are replaced by the following sections:

“65. An individual described in section 66 who holds employment with a particular corporation or partnership that is referred to in that section may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the amount determined by the formula

$A \times B$.

In the formula provided for in the first paragraph,

(1) A is

(a) 75%, where the individual entered into the individual’s employment contract with the particular corporation or partnership after 12 June 2003 or entered into that contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, and

(b) 100%, in any other case; and

(2) B is the part of the individual’s income for the year, determined in accordance with section 28 of the Taxation Act (chapter I-3), that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69, in relation to that employment that is included in the year.

Where, in a taxation year, the individual is a member of a partnership, the individual’s share of the income or loss of the partnership for a fiscal period ended in the year shall be considered, for the purposes of subparagraph 2 of the second paragraph, to be earned or sustained in the part of the year referred to therein if the fiscal period of the partnership ends in that part of the year, and to be earned or sustained during another part of the year if the fiscal period ends in the other part of the year.

“65.1. Where, at a particular time included in an individual’s reference period established under section 69, in relation to an employment held by the individual with a corporation operating an international financial centre, the individual described in section 66 acquired a right to a security under an agreement referred to in section 48 of the Taxation Act (chapter I-3) and, at a later time after the expiration of the reference period, the individual is deemed to receive a benefit in a particular taxation year by reason of the application of any of sections 49 and 50 to 52.1 of that Act in respect of the security, or the transfer or any other disposition of the rights under the agreement, the following rules apply:

(1) for the purposes of the first paragraph of section 65, the individual is deemed, for a part of the particular taxation year that includes the later time, to be an individual described in section 66 who holds that employment with the corporation;

(2) for the purposes of the first and second paragraphs of section 65, section 71 and paragraphs *a* and *b* of section 737.18 of the Taxation Act in respect of the amount of the benefit included by the individual in computing the individual's income for the particular taxation year, the later time is deemed to be a reference period of the individual, established under section 69, in relation to that employment; and

(3) section 51 shall be read with "that was issued for the year in respect of the individual under any of sections 19 to 21" replaced by "that was issued in respect of the individual, under section 19, for the taxation year that includes the particular time referred to in the portion of section 65.1 before paragraph 1".

“66. Only an individual who satisfies the following requirements, for all or part of a particular taxation year, is entitled to a deduction under section 65 for that year:

(1) at a particular time, the individual took up employment, as an employee, with a particular corporation or partnership operating an international financial centre under an employment contract entered into with the corporation or partnership;

(2) the individual was not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the particular corporation or partnership, or, where the individual was resident in Canada at that time, the individual became resident in Canada at any given time in the particular year or a preceding taxation year to establish an international financial centre in Canada and the following conditions are satisfied:

(a) the individual worked exclusively or almost exclusively for a person or partnership from that given time to the time at which the condition set out in subparagraph *c* is satisfied,

(b) for any part of the period referred to in subparagraph *a*, the individual held a valid certificate issued in respect of the individual pursuant to section 19 in relation to the establishment of the international financial centre and the certificate recognizes the individual as a foreign specialist for that part of the period, and

(c) the individual took up employment, within 12 months after that given time, as an employee, with the particular corporation or partnership that operates the international financial centre established by the individual,

(3) the individual works exclusively or almost exclusively for the particular corporation or partnership from the particular time to the end of the particular year or the part of the particular year, and

(4) for any part of the period beginning at the particular time and ending at the end of the particular year or the part of the particular year, the individual held a valid certificate issued in respect of the individual pursuant to section 19, in relation to that employment, and the certificate recognizes the individual as a foreign specialist for that part of the period.

For the purposes of subparagraph 4 of the first paragraph, the business to which a certificate referred to therein relates must be an international financial centre of the particular corporation or partnership.

Notwithstanding paragraph 2 of section 5, an individual shall not, for the purposes of the first paragraph, be considered to be a person resident in Canada if the individual is considered to be resident in Canada for the purposes of the Taxation Act (chapter I-3) by reason of the application of paragraph *a* of section 8 of that Act.

“67. For the application of section 66 to an individual who is resident in Canada immediately before entering into a contract of employment with a corporation or partnership operating an international financial centre and immediately before taking up employment, as an employee, with the corporation or partnership, and who, if the individual worked to establish the international financial centre in Canada immediately before taking up employment, as an employee, with the corporation or partnership, is resident in Canada immediately before so beginning to work, the rule set out in the second paragraph applies if any of the following conditions is satisfied:

(1) the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or began working in Canada to establish the international financial centre, or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2 of the Taxation Act (chapter I-3); or

(2) the individual would meet the condition set out in subparagraph 1 if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20 of the Taxation Act.

The rule to which the first paragraph refers is any of the following rules:

(1) the individual is deemed to become resident in Canada to establish the international financial centre at the time when the individual begins working to establish the centre, where

(a) the individual was working to establish the centre immediately before taking up employment, as an employee, with the corporation or partnership,

(b) the period between the date on which the individual took up employment and the time when the individual began working to establish the international financial centre does not exceed 12 months, and

(c) the individual satisfies the conditions set out in subparagraphs 3 and 4 of the first paragraph of section 66 on the very day on which the individual takes up employment; and

(2) in any other case, the individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with the corporation or partnership.

Where the rule set out in subparagraph 1 of the second paragraph applies, it also has effect for the purposes of subparagraph *b* of paragraph 1 of section 69.

“68. For the purposes of subparagraph 3 of the first paragraph of section 66, an individual who, at any time, works exclusively or almost exclusively for a group of corporations or partnerships each of which is operating an international financial centre, including the particular corporation or partnership referred to in that section, is deemed to be working at that time exclusively or almost exclusively for the particular corporation or partnership if, at that time,

(1) all the activities of those international financial centres are conducted in one place within the territory of Ville de Montréal; and

(2) the requirement set out in subparagraph 4 of the first paragraph of section 66 is satisfied as regards each of those corporations or partnerships in relation to its international financial centre.”

(2) Subsection 1 applies from 1 January 2001, except where it enacts the third paragraph of section 66 of the said Act, in which case it applies from the taxation year 2003. However,

(1) where section 65 of the said Act applies before the taxation year 2003, it shall be read

(a) with the first and second paragraphs replaced by the following paragraph:

“65. An individual described in section 66 who holds employment with a particular corporation or partnership that is referred to in that section may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the part of the individual’s income for the year, determined under section 28 of the Taxation Act (chapter I-3), that may reasonably be considered to be earned in the part of the individual’s reference

period, established under section 69, in relation to that employment that is included in the year.”, and

(b) with the reference to “subparagraph 2 of the second paragraph” in the third paragraph replaced by a reference to “the first paragraph”; and

(2) where paragraph 2 of section 65.1 of the said Act applies before the taxation year 2003, the reference to “the first and second paragraphs” therein shall be read as a reference to “the first paragraph”.

(3) In addition, where section 65.1 of the said Act applies to the taxation year 2000, it shall be read with paragraphs *a* to *c* replaced by the following paragraphs:

“(1) for the purposes of the first paragraph of section 65, the individual is deemed to be an individual described in section 66 for the particular taxation year;

“(2) for the purposes of the first paragraph of section 65 and paragraphs *a* and *b* of section 737.18 of the Taxation Act, the amount of the benefit included by the individual in computing the individual’s income for the particular taxation year in respect of the security, or the transfer or any other disposition of the rights under the agreement, is deemed to be included in the part, referred to in that first paragraph, of the individual’s income for the particular taxation year;

“(3) section 51 shall be read with “that was issued for the year in respect of the individual under any of sections 19 to 21” replaced by “that was issued in respect of the individual, under section 19, for the taxation year that includes the particular time referred to in the portion of section 65.1 before paragraph 1”; and

“(4) for the purposes of section 71, the later time at which the individual is deemed to receive the benefit, the amount of which was included by the individual in computing the individual’s income for the particular taxation year in respect of the security, or the transfer or any other disposition of the rights under the agreement, is deemed to be included in a reference period established in respect of the individual under section 69.”

22. (1) Section 69 of the said Act is amended

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

“69. The reference period of an individual described in section 66, in relation to an employment the individual holds with a particular corporation or partnership, referred to in that section is the period

(1) that begins on the earlier of

(a) the day on which the individual begins to perform the duties of that employment, and”;

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

“(a) the individual is working to establish an international financial centre or holds an employment with a corporation or partnership operating such a centre, and”;

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

“ii. the conditions set out in subparagraphs 3 and 4 of the first paragraph of section 66, where the individual holds an employment with a corporation or partnership operating an international financial centre; and”;

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

“(3) that does not exceed five years, with reference to,

(a) where the individual began to stay or became resident in Canada after 19 December 2002 because of a contract of employment entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 69.1 that is established in respect of the individual, and

(b) in any other case, the aggregate of all the preceding periods each of which is any of the following periods:

i. a preceding period, in relation to a preceding employment, established in respect of the individual under this section or the regulations under the first paragraph of section 737.16 of the Taxation Act (chapter I-3), as they read for a taxation year beginning on or before 20 December 1999, or

ii. a preceding period within the meaning of section 69.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a preceding period referred to in subparagraph i.”

(2) Subsection 1 applies from 1 January 2001.

23. (1) The said Act is amended by inserting the following sections after section 69:

“69.1. For the purpose of establishing the reference period of an individual in relation to an employment, a preceding period to which subparagraph *a* of paragraph 3 of section 69 and subparagraph ii of subparagraph *b* of that paragraph refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 of the Taxation Act (chapter I-3) or

under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed.

“69.2. For the purposes of this subdivision, an individual referred to in the fifth paragraph is deemed to take up employment, as an employee, with a corporation or partnership operating an international financial centre at the particular time referred to in subparagraph 2 where

(1) the individual holds employment with the corporation or partnership on 1 January 2001; and

(2) at a particular time when the individual works for the corporation or partnership, the individual would begin, for the first time since 1 January 2001, to satisfy the requirements set out in subparagraphs 3 and 4 of the first paragraph of section 66 if

(a) that subparagraph 3 were read with “from the particular time to the end of the particular year or the part of the particular year” replaced by “throughout the particular year or the part of the particular year”, and

(b) that subparagraph 4 were replaced by the following subparagraph:

“(4) the individual held a valid certificate issued in respect of the individual pursuant to section 19, in relation to that employment, and the certificate recognizes the individual as a foreign specialist for the particular year or the part of the particular year.”

An individual referred to in the sixth paragraph who, on 1 January 2001, works to establish an international financial centre in Canada is deemed to begin working to establish that centre on that date.

In addition, an individual referred to in the seventh paragraph is deemed to take up employment, as an employee, with a corporation or partnership operating an international financial centre at the particular time referred to in subparagraph 2 where

(1) the individual enters into an employment contract with the corporation or partnership after 31 December 2000; and

(2) at a particular time when the individual works for the corporation or partnership, the individual would begin, for the first time since the entering into the contract referred to in subparagraph 1, to satisfy the requirements set out in subparagraphs 3 and 4 of the first paragraph of section 66 if

(a) that subparagraph 3 were read with “from the particular time to the end of the particular year or the part of the particular year” replaced by “throughout the particular year or the part of the particular year”, and

(b) that subparagraph 4 were replaced by the following subparagraph:

“(4) the individual held a valid certificate issued in respect of the individual pursuant to section 19, in relation to that employment, and the certificate recognizes the individual as a foreign specialist for the particular year or the part of the particular year.”

The individual to whom the first or third paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the corporation or partnership at the particular time referred to in subparagraph 2 of that paragraph.

The individual to whom the first paragraph refers is the individual who

(1) has no reference period that is running on 1 January 2001 in relation to that employment; and

(2) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2 of the Taxation Act (chapter I-3), or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20 of that Act.

The individual to whom the second paragraph refers is the individual who

(1) is resident in Canada immediately before entering into an employment contract with a corporation or partnership operating the international financial centre, immediately before taking up employment, as an employee, with the corporation or partnership and immediately before beginning to work in Canada to establish that centre in Canada;

(2) has no reference period that is running on 1 January 2001 in relation to the employment the individual holds with the corporation or partnership referred to in subparagraph 1;

(3) takes up employment, as an employee, with the corporation or partnership referred to in subparagraph 1 within 12 months after the time when the individual began working to establish the international financial centre; and

(4) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2 of the Taxation Act, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20 of that Act.

The individual to whom the third paragraph refers is the individual who

(1) has not worked to establish the international financial centre immediately before taking up employment, as an employee, with the corporation or partnership or, if such is not the case, took up employment more than 12 months after becoming resident in Canada in order to establish that center in Canada or does not satisfy the requirements set out in subparagraphs 3 and 4 of the first paragraph of section 66 on the day of taking up employment; and

(2) may deduct, in computing the individual's taxable income for the taxation year in which the individual entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2 of the Taxation Act, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20 of that Act.

“69.3. For the purposes of this subdivision, the employment contract that an individual entered into with a corporation or a partnership operating an international financial centre, in this section referred to as the “original contract”, or a deemed contract within the meaning of subparagraph 1 of the third paragraph, is deemed to end at the time when the individual ceases to satisfy the requirements set out in subparagraphs 3 and 4 of the first paragraph of section 66.

Where on 1 January 2001, an individual referred to in the fourth paragraph holds employment with a corporation or partnership operating an international financial centre, the employment contract entered into with the corporation or partnership, in this section referred to as the “original contract”, is deemed to have ended before that date.

In addition, where at a particular time an individual would again satisfy the requirements set out in subparagraphs 3 and 4 of the first paragraph of section 66 if that subparagraph 3 were read with “from the particular time to the end of the particular year or the part of the particular year” replaced by “throughout the particular year or the part of the particular year”, and if that subparagraph 4 were read without reference to “for any part of the period beginning at the particular time and ending at the end of the particular year or the part of the particular year,” and with “for that part of the period” replaced by “for the particular year or the part of the particular year”, the following rules apply:

(1) the individual is deemed to enter into, with the corporation or partnership, a new employment contract, in this section referred to as the “deemed contract”, and that contract is deemed to be entered into before 13 June 2003; and

(2) the individual is deemed to take up employment, as an employee, with the corporation or partnership at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(1) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the qualified corporation, or became resident in Canada at any time to establish the international financial centre in Canada;

(2) has no reference period that is running on 1 January 2001 in relation to that employment; and

(3) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.16 of the Taxation Act (chapter I-3), or could so deduct such an amount if the corporation or partnership had not failed to apply, in respect of the individual, for a certificate referred to in section 19 or in section 737.15 of the Taxation Act, as it read before being repealed, or the qualification certificate referred to in section 14.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

“69.4. For the purposes of this subdivision, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in section 66 is deemed not to be an employment contract separate from the employment contract referred to in that section.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 69.3.”

(2) Subsection 1 applies from 1 January 2001, except where it enacts section 69.4 of the said Act, in which case it applies from the taxation year 2003.

24. (1) Section 70 of the said Act is replaced by the following section:

“70. For the purposes of Title VII of Book IV of Part I of the Taxation Act (chapter I-3), the non-capital loss, farm loss, net capital loss, restricted farm loss and limited partnership loss, for a taxation year, of an individual who, for that year, benefits from a deduction under section 65, shall be determined as if

(1) any income earned by the individual in the individual's reference period established under section 69, in relation to an employment, were equal to the product obtained by multiplying that income by the amount by which 100% exceeds the percentage determined under subparagraph 1 of the second paragraph of section 65 in respect of that employment; and

(2) any loss sustained by the individual in the individual's reference period established under section 69, in relation to an employment, were equal to the product obtained by multiplying that loss by the amount by which 100% exceeds the percentage determined under subparagraph 1 of the second paragraph of section 65 in respect of that employment.”

(2) Subsection 1 applies from 1 January 2001. However, where section 70 of the said Act applies before the taxation year 2003, it shall be read as follows:

“70. For the purposes of Title VII of Book IV of Part I of the Taxation Act (chapter I-3), the non-capital loss, farm loss, net capital loss, restricted farm loss and limited partnership loss, for a taxation year, of an individual who, for that year, benefits from a deduction under section 65, shall be determined as if the individual's income throughout the individual's reference period established under section 69, in relation to an employment, and any loss throughout such a period were nil.”

25. (1) Section 71 of the said Act is replaced by the following section:

“71. An individual who holds employment with a particular corporation or partnership operating an international financial centre may deduct, in computing the individual's taxable income for a taxation year, an amount not exceeding 37.5% of the part of the individual's wages from that employment for the year that may reasonably be attributed to a qualifying period established in respect of the individual under section 73 in relation to the particular corporation or partnership, except, where applicable, any part of that period that is included in the individual's reference period established under section 69, in relation to an employment.

However, for the part of the individual's wages that is attributable to a qualifying period, or to part of such a period, preceding 13 June 2003, the first paragraph shall be read with “37.5%” replaced by “one-half”.

(2) Subsection 1 has effect from 1 January 2001, except where it enacts the second paragraph of section 71 of the said Act, in which case it has effect from 13 June 2003. However, where the first paragraph of section 71 applies before 13 June 2003, it shall be read with the reference to “37.5%” replaced by a reference to “one-half”.

26. Section 73 of the said Act is amended by replacing subparagraph *i* of subparagraph *b* of paragraph 2 by the following subparagraph:

“*i.* who was an employee of the corporation or partnership from 31 March 1998 to the end of the particular period.”.

27. Section 104 of the said Act is replaced by the following section:

“**104.** The Minister is deemed to have issued, pursuant to section 14 or 15, a qualification certificate, valid at any particular time, to a corporation or partnership in respect of one of its employees where the employee

(1) was an employee of the corporation or partnership on 31 December 1999 or, as the case may be, was working on that date for the person or partnership referred to in subparagraph *a* of subparagraph 2 of the first paragraph of section 66 in respect of the employee; and

(2) was holding a valid certificate issued to the corporation or partnership in respect of the employee for the taxation year 1999 and each subsequent taxation year ending before the particular time, pursuant to section 19, in the case of section 14, or pursuant to section 20 or 21, in the case of section 15.”

28. (1) Section 106 of the said Act is amended

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

“**106.** For the purpose of determining after 31 December 1999 whether an individual satisfies the condition set out in subparagraph *b* of subparagraph 2 of the first paragraph of section 66, or the requirement set out in subparagraph 4 of that paragraph, in respect of the part of a particular period preceding 1 January 2000, the obligation to hold, for that part of the particular period, a valid certificate, issued in respect of the individual pursuant to section 19 in relation to the establishment of an international financial centre or in relation to the individual’s employment, that recognizes the individual as a foreign specialist for that part of the period, must be replaced by the following obligation:”;

(2) by replacing “société de personnes” in the French text of subparagraph 1 of the first paragraph and in the second paragraph by “de la société de personnes”;

(3) by replacing “de la société ou société de personnes donnée” in the portion of the French text of subparagraph 2 of the first paragraph before subparagraph *a* by “de la société ou de la société de personnes donnée”;

(4) by replacing “société de personnes” by “de cette société de personnes” in the French text of the following provisions of the first paragraph:

- subparagraph *a* of subparagraph 2;
- subparagraphs *i* and *ii* of subparagraph *b* of subparagraph 2;
- subparagraph *i* of subparagraph *c* of subparagraph 2.

(2) Subsection 1 has effect from 1 January 2001.

29. (1) Section 108 of the said Act is amended

(1) by replacing the portion before paragraph 2 by the following:

“108. Where the day, referred to in this section as the “particular day”, which corresponds to the earlier of the day on which an individual first took up employment, as an employee, with a corporation operating an international financial centre and, where applicable, of the day on which the individual first became resident in Canada to establish an international financial centre in Canada, is prior to 1 April 1996, the individual’s reference period, established under section 69, in relation to an employment,

(1) shall be established, where the particular day is prior to 1 April 1994, as if that section were read with “five years” in the portion of paragraph 3 before subparagraph *a* replaced by “24 months”;

(2) by replacing subparagraphs *a* and *b* of paragraph 2 by the following subparagraphs:

“(a) the period that would be established in respect of the individual under section 69, in relation to that employment, but for this section and if section 69 were read with “five years” in the portion of paragraph 3 before subparagraph *a* replaced by “24 months”, and

“(b) the part of the period that would be established in respect of the individual under section 69, in relation to that employment, but for this section, that is not already included in the period referred to in subparagraph *a* and is neither prior to 1 April 1998 nor later than the day preceding the day that is five years after the particular day;”.

(2) Subsection 1 has effect from 1 January 2001.

MINING DUTIES ACT

30. (1) Section 8 of the Mining Duties Act (R.S.Q., chapter D-15) is amended, in paragraph 1,

(1) by striking out “exceeds” at the end of subparagraph *d*;

(2) by adding the following subparagraphs after subparagraph *d*:

“(e) any amount included, under paragraph *w* of section 87 of the Taxation Act, in computing the operator’s income for the fiscal year for the purposes of that Act, in relation to an amount that the operator is deemed to have paid to the Minister of Revenue under sections 1029.8.36.168, 1029.8.36.170, 1029.8.36.171.1, 1029.8.36.171.2 and 1029.8.36.173 of that Act;

“(f) where the operator is a partnership, any amount included, under paragraph *w* of section 87 of the Taxation Act because of sections 87.3 and 87.3.1 of that Act, in computing the operator’s income for the fiscal year for the purposes of that Act, in relation to an amount that a legal person that is a member of the operator is deemed to have paid to the Minister of Revenue under section 1029.8.36.169 or 1029.8.36.171 of that Act; and

“(g) where the operator is a partnership, any amount included, under paragraph *w* of section 87 of the Taxation Act because of section 87.3 of that Act, in computing the operator’s income for the fiscal year for the purposes of that Act, in relation to an amount that a legal person that is a member of the operator is deemed to have paid to the Minister of Revenue under sections 1029.8.36.174 and 1029.8.36.175 of that Act; exceeds”.

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003.

31. (1) Section 16.1 of the said Act is amended by replacing the portion of subparagraph *b.1* of paragraph 1 before subparagraph *i* by the following:

“(b.1) 25% of the total of all amounts each of which is an amount referred to in subparagraph *b*, other than an amount relating to expenses referred to in any of paragraphs *c* to *d* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167 of the Taxation Act (chapter I-3) that was taken into account in computing an amount that the operator or a legal person that is a member of the operator is deemed to have paid to the Minister of Revenue for a taxation year, within the meaning of Part I of that Act, under Division II.6.15 of Chapter III.1 of Title III of Book IX of Part I of that Act, that was incurred by the operator after 31 March 1998 and before that time but not later than 31 December 2004, in respect of exploration work performed”.

(2) Subsection 1 applies in respect of expenses incurred after 29 March 2001. However, where the portion of subparagraph *b.1* of paragraph 1 of section 16.1 of the said Act before subparagraph *i* applies in respect of expenses incurred before 21 August 2002, the reference therein to “in any of paragraphs *c* to *d*” shall be read as a reference to “in paragraph *c* or *d*”.

ACT RESPECTING DUTIES ON TRANSFERS OF IMMOVABLES

32. (1) Section 19 of the Act respecting duties on transfers of immovables (R.S.Q., chapter D-15.1) is amended

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

“For the purposes of subparagraph *d* of the first paragraph, a legal person is closely related to a particular legal person if, at the time of the transfer,

(a) at least 90% of the issued shares having full voting rights of the capital stock of the legal person are owned by the particular legal person, a qualifying subsidiary of the particular legal person, a legal person of which the particular legal person is a qualifying subsidiary, a qualifying subsidiary of a legal person of which the legal person is a qualifying subsidiary or any combination of such legal persons or subsidiaries;

(b) at least 90% of the fair market value of all the issued and outstanding shares of the capital stock of the legal person are owned by the particular legal person; or

(c) at least 90% of the fair market value of all the issued and outstanding shares of the capital stock of the legal person and of the particular legal person are owned by one and the same legal person or group of legal persons.”;

(2) by adding the following paragraphs after the second paragraph:

“For the purposes of subparagraph *a* of the second paragraph, a legal person at least 90% of whose issued shares having full voting rights are owned, at the time of the transfer, by another legal person is a qualifying subsidiary of that other legal person at that time.

“For the purposes of subparagraphs *b* and *c* of the second paragraph, the shares of the capital stock of a legal person that are owned or deemed under this paragraph to be owned at the time of the transfer by another legal person are deemed to be owned at that time by each shareholder of that other legal person in a proportion equal to the product obtained by multiplying all such shares by the proportion that the fair market value of the shares of the capital stock of the other legal person owned at that time by the shareholder is of the fair market value of all the issued and outstanding shares of the capital stock of the other legal person at that time.”

(2) Subsection 1 applies in respect of transfers made after 11 July 2002.

ACT TO ESTABLISH FONDACTION, LE FONDS DE
DÉVELOPPEMENT DE LA CONFÉDÉRATION DES SYNDICATS
NATIONAUX POUR LA COOPÉRATION ET L'EMPLOI

33. (1) Section 19 of the Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q., chapter F-3.1.2) is amended

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

“For the purposes of this section and section 20, the following rules apply:

(1) the average net assets of the Fund for the preceding fiscal year shall be determined by adding the net assets at the beginning of that preceding year to the net assets at the end of that preceding year and by dividing the sum so obtained by 2;

(2) the net assets do not include the movable or immovable property used by the Fund to carry on its operations; and

(3) the average investments of the Fund for the current fiscal year shall be determined by the formula

$$(A + B + C + D) / 2.”;$$

(2) by inserting the following paragraph after the third paragraph:

“In the formula provided for in subparagraph 3 of the third paragraph,

(1) A is the Fund’s investments permitted under this section and entailing no security or hypothec, at the beginning of the current fiscal year;

(2) B is the Fund’s investments permitted under this section and entailing no security or hypothec, at the end of the current fiscal year;

(3) C is the amount by which an amount that is the total of the disinvestments for the current fiscal year that relate to investments entailing no security or hypothec, already made by the Fund and permitted under this section, exceeds an amount equal to 2% of the Fund’s average net assets for the preceding fiscal year; and

(4) D is the amount determined under subparagraph 3 for the fiscal year preceding the current fiscal year.”;

(3) by replacing “aux fins de” in the French text of the portion of the fourth paragraph before subparagraph 1 by “pour”;

(4) by adding the following subparagraphs after subparagraph 2 of the fourth paragraph:

“(3) investments made in addition to an investment already made in an enterprise and permitted under the second paragraph and where the enterprise would be an eligible enterprise under subparagraph 1 of the first paragraph of section 18.1 if the amounts “\$100,000,000” and “\$40,000,000” mentioned in that subparagraph were replaced by “\$350,000,000” and “\$150,000,000”, respectively; and

“(4) strategic investments made after 11 March 2003, in accordance with an investment policy adopted by the board of directors of the Fund and approved by the Minister of Finance, in an enterprise whose assets are less than \$500,000,000 or whose net equity is not over \$200,000,000.”;

(5) by replacing the fifth paragraph by the following paragraph:

“The total investments permitted under subparagraphs 1 and 3 of the fifth paragraph may not exceed 20% of the net assets of the Fund at the end of the preceding fiscal year. For the purposes of subparagraph 1 of the fifth paragraph, a broker acting as an intermediary or underwriter is not considered to be a first purchaser.”;

(6) by inserting the following paragraphs after the fifth paragraph:

“The total investments permitted under subparagraph 4 of the fifth paragraph may not exceed 5% of the net assets of the Fund at the end of the preceding fiscal year.

“For the purposes of the second paragraph, the investments permitted under subparagraph 4 of the fifth paragraph are considered to have been made in enterprises whose assets are less than \$50,000,000 or whose net equity is not over \$20,000,000.”;

(7) by replacing “fourth” in the sixth paragraph by “fifth”.

(2) Subsection 1 applies to fiscal years that end after 11 March 2003. However, where section 19 of the said Act applies to the fiscal year that includes 11 March 2003,

(1) the formula provided for in subparagraph 3 of the third paragraph of that section shall be replaced by the following formula:

“(A + B + C) / 2.”; and

(2) the fourth paragraph of that section shall be read without reference to subparagraph 4 thereof.

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

34. (1) Section 15 of the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1) is amended

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

“However, in the course of each fiscal year, the portion of the Fund’s investments in qualified undertakings entailing no guarantee or hypothec must represent, on the average, at least 60% of the average net assets of the Fund for the preceding year.”;

(2) by inserting the following paragraphs after the second paragraph:

“For the purposes of this section and section 15.1, the following rules apply:

(1) the average net assets for the preceding fiscal year shall be determined by adding the net assets at the beginning of that preceding year to the net assets at the end of that preceding year and by dividing the sum so obtained by 2;

(2) the net assets do not include the movable or immovable property used by the Fund to carry on its operations; and

(3) the average investments for the current fiscal year shall be determined by the formula

$$(A + B + C + D) / 2.$$

“In the formula provided for in subparagraph 3 of the third paragraph,

(1) A is the Fund’s investments that qualify under this section and entailing no security or hypothec, at the beginning of the current fiscal year;

(2) B is the Fund’s investments that qualify under this section and entailing no security or hypothec, at the end of the current fiscal year;

(3) C is the amount by which an amount that is the total of the disinvestments for the current fiscal year that relate to investments entailing no security or hypothec, already made by the Fund and that qualify under this section, exceeds an amount equal to 2% of the Fund’s average net assets for the preceding fiscal year; and

(4) D is the amount determined under subparagraph 3 for the fiscal year preceding the current fiscal year.”;

(3) by replacing “aux fins de” in the French text of the portion of the third paragraph before subparagraph 1 by “pour”;

(4) by replacing “\$100,000,000 or whose net assets are not over \$40,000,000” in subparagraph 2 of the third paragraph by “\$350,000,000 or whose net assets are not over \$150,000,000”;

(5) by adding the following subparagraph after subparagraph 3 of the third paragraph:

“(4) strategic investments made after 11 March 2003, in accordance with an investment policy adopted by the board of directors of the Fund and approved by the Minister of Finance, in an enterprise whose assets are less than \$500,000,000 or whose net equity is not over \$200,000,000.”;

(6) by replacing “third” wherever it appears in the fourth paragraph by “fifth”;

(7) by inserting the following paragraph after the fourth paragraph:

“The total of the investments that qualify under subparagraph 4 of the fifth paragraph is limited to 5% of the net assets of the Fund at the end of the preceding fiscal year.”;

(8) by replacing “third” in the fifth paragraph by “fifth”.

(2) Subsection 1 applies to fiscal years that end after 11 March 2003. However, where section 15 of the said Act applies to the fiscal year that includes 11 March 2003,

(1) the formula provided for in subparagraph 3 of the third paragraph of that section shall be replaced by the following formula:

“(A + B + C) / 2.”; and

(2) the fourth paragraph of that section shall be read without reference to subparagraph 4 thereof.

TOBACCO TAX ACT

35. (1) Section 8 of the Tobacco Tax Act (R.S.Q., chapter I-2) is amended

(1) by replacing paragraphs *a* to *b.1* by the following paragraphs:

“(a) \$0.103 per cigarette and per cigar sold at a retail price of \$0.15 or less;

“(b) \$0.103 per gram of any loose tobacco;

“(b.1) \$0.103 per gram of any leaf tobacco;”;

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

“(d) \$0.1585 per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars. However, where the quantity of tobacco contained in a tobacco stick, a roll of tobacco or any other pre-rolled tobacco product designed for smoking is such that the consumer tax payable under this paragraph is less than \$0.103 per tobacco stick, roll of tobacco or other pre-rolled tobacco product, the consumer tax shall be \$0.103 per tobacco stick, roll of tobacco or other pre-rolled tobacco product designed for smoking.”

(2) Subsection 1 has effect from 5 December 2003. However, not later than 22 December 2003, the following persons shall submit to the Minister an inventory, in prescribed form, of the tobacco products mentioned in subsection 1 that the persons have in stock at 12:00 midnight on 4 December 2003 and, at the same time, remit to the Minister the amount corresponding to the tobacco tax computed at the rate in effect on 5 December 2003, in respect of those tobacco products, after deducting an amount corresponding to the tobacco tax computed at the rate in effect on 4 December 2003, to the extent that such remittance has not otherwise been made:

(1) a person who has not made an agreement under section 17 of the said Act who, in Québec, sells tobacco products in respect of which the amount corresponding to the tobacco tax was collected in advance or should have been collected in advance; and

(2) a collection officer who has made an agreement under section 17 of the said Act who, in Québec, sells tobacco products in respect of which the amount corresponding to the tobacco tax was paid in advance or must be paid.

For the purposes of this subsection, the tobacco products that a person has in stock at 12:00 midnight on 4 December 2003 include the tobacco products the person has acquired but that have not been delivered to the person at that time.

36. (1) Section 13.2 of the said Act is amended by replacing the second paragraph by the following paragraph:

“Every person who, contrary to the first paragraph, sells, delivers or causes to be delivered, outside Québec, tobacco in a package identified in accordance with section 13.1 shall pay to the Minister a penalty equal to the amount of tax that would have been payable under this Act if the tobacco had been sold by retail sale in Québec.”

(2) Subsection 1 has effect from 10 December 2003.

TAXATION ACT

37. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 4 of chapter 8 of the statutes of 2004, is again amended

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

““farm income stabilization account” means an account of a person or partnership under the “Farm Income Stabilization Account” program established under the Act respecting La Financière agricole du Québec (chapter L-0.1);”;

(2) by inserting “, a farm income stabilization account” after “net income stabilization account” in paragraph *d.1* of the definition of “cost amount”;

(3) by inserting “a farm income stabilization account,” after “a net income stabilization account,” in paragraph *e* of the definition of “cost amount”;

(4) by replacing the definition of “Act establishing a labour-sponsored fund” by the following definition:

““Act establishing a labour-sponsored fund” means

(a) the Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi (chapter F-3.1.2); or

(b) the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (chapter F-3.2.1);”;

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

““recognized political education organization” has the meaning assigned by section 985.36;”;

(6) by replacing the definition of “profit sharing plan” by the following definition:

““profit sharing plan” has the meaning assigned by section 852, except for the purposes of Title III.1 of Book V;”;

(7) by inserting “or of a farm income stabilization account” after “net income stabilization account” in the portion of the definition of “small business corporation” before paragraph *a*.

(2) Paragraphs 1 to 3 and 7 of subsection 1 have effect from 2 November 2001.

(3) Paragraph 4 of subsection 1 has effect from 13 June 2003.

(4) Paragraph 5 of subsection 1 applies to taxation years that end after 18 December 2002.

(5) Paragraph 6 of subsection 1 has effect from 1 January 2001.

38. (1) Section 2.2 of the said Act is amended by replacing “440, 441.1, 454, 454.1, 456.1, 462.0.1 and 651, the definition of “pre-1972 spousal trust” in section 652.1, sections 653, 656.3,” by “440 to 441.2, 454, 454.1, 456.1, 462.0.1, 462.0.2 and 651, the definition of “pre-1972 spousal trust” in section 652.1, sections 653, 656.3, 656.3.1,”.

(2) Subsection 1 has effect from 2 November 2001.

39. (1) The said Act is amended by inserting the following section after section 8:

“8.1. In determining whether an individual is, for all or part of a taxation year, a foreign researcher within the meaning of section 737.19, a foreign researcher on a post-doctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign professor within the meaning of section 737.22.0.5 or a foreign specialist within the meaning of any of sections 737.18.6, 737.18.29 and 737.22.0.1, section 8 shall be read without reference to paragraph *a* thereof.”

(2) Subsection 1 applies from the taxation year 2003.

40. (1) Section 21.1 of the said Act is amended

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

“21.1. Sections 21.2 to 21.3.1 apply in respect of the control of a corporation for the purposes of sections 6.2, 21.2 to 21.3.1, 83.0.3, 93.3.1, 93.4, 106.4, 158.1 to 158.14, 175.9, 222 to 230.0.0.2, 237 to 238.1, 308.0.1 to 308.6, 384, 384.4, 384.5, 418.26 to 418.30 and 485 to 485.18, paragraph *d* of section 485.42, sections 564.2 to 564.4.2, 727 to 737 and 737.18.9.2, subparagraph *d* of the first paragraph of section 771.13, paragraph *f* of section 772.13, section 776.1.5.6, paragraph *c* of the definition of “qualified corporation” in the first paragraph of sections 1029.8.36.0.3.46 and 1029.8.36.0.3.60, subparagraph *iv* of paragraph *b* of the definition of “specified corporation” in the first paragraph of section 1029.8.36.0.17, paragraph *d* of the definition of “excluded corporation” in the first paragraph of section 1029.8.36.0.38, paragraph *c* of the definition of “qualified corporation” in the first paragraph of sections 1029.8.36.72.1, 1029.8.36.72.29, 1029.8.36.72.56 and 1029.8.36.72.83 and sections 1029.8.36.171.3, 1029.8.36.171.4 and 1137.8.”;

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

“Section 21.4.1 applies in respect of the control of a corporation for the purposes of sections 6.2, 21.0.1 to 21.0.4, 83.0.3, 93.4, 222 to 230.0.0.2, 308.1, 384, 384.4, 384.5, 418.26 to 418.30 and 485 to 485.18, paragraph *d* of section 485.42, subparagraph *d* of the third paragraph of section 559, sections 560.1.2, 727 to 737 and 737.18.9.2, subparagraph *d* of the first paragraph of section 771.13, paragraph *f* of section 772.13, section 776.1.5.6, paragraph *c* of the definition of “qualified corporation” in the first paragraph of sections 1029.8.36.0.3.46 and 1029.8.36.0.3.60, subparagraph *iv* of paragraph *b* of the definition of “specified corporation” in the first paragraph of section 1029.8.36.0.17, paragraph *d* of the definition of “excluded corporation” in the first paragraph of section 1029.8.36.0.38, paragraph *c* of the definition of “qualified corporation” in the first paragraph of sections 1029.8.36.72.1, 1029.8.36.72.29, 1029.8.36.72.56 and 1029.8.36.72.83 and sections 1029.8.36.171.3, 1029.8.36.171.4 and 1137.8.”

(2) Subsection 1 has effect from 21 August 2002. However, where section 21.1 of the said Act applies before 12 June 2003,

(1) the first paragraph of that section shall be read as follows:

“21.1. Sections 21.2 to 21.3.1 apply in respect of the control of a corporation for the purposes of sections 6.2, 21.2 to 21.3.1, 83.0.3, 93.3.1, 93.4, 106.4, 158.1 to 158.14, 175.9, 222 to 230.0.0.2, 237 to 238.1, 308.0.1 to 308.6, 384, 384.4, 384.5, 418.26 to 418.30 and 485 to 485.18, paragraph *d* of section 485.42, sections 564.2 to 564.4.2 and 727 to 737, paragraph *f* of section 772.13, section 776.1.5.6 and sections 1029.8.36.171.3 and 1029.8.36.171.4.”; and

(2) the third paragraph of that section shall be read as follows:

“Section 21.4.1 applies in respect of the control of a corporation for the purposes of sections 6.2, 21.0.1 to 21.0.4, 83.0.3, 93.4, 222 to 230.0.0.2, 308.1, 384, 384.4, 384.5, 418.26 to 418.30 and 485 to 485.18, paragraph *d* of section 485.42, subparagraph *d* of the third paragraph of section 559, sections 560.1.2 and 727 to 737, paragraph *f* of section 772.13, section 776.1.5.6 and sections 1029.8.36.171.3 and 1029.8.36.171.4.”

41. (1) Section 21.4.1 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) to avoid the application of Chapter IV.1, any of sections 83.0.3, 93.4, 225, 308.1, 384.4, 384.5, 560.1.2 and 736, paragraph *a* or *b* of section 736.0.2, section 736.0.3.1 or 737.18.9.2, subparagraph *d* of the first paragraph of section 771.13, paragraph *c* of the definition of “qualified corporation” in the first paragraph of section 1029.8.36.0.3.46 or 1029.8.36.0.3.60, subparagraph *iv* of paragraph *b* of the definition of “specified corporation” in the first paragraph of section 1029.8.36.0.17, paragraph *d* of the definition of “excluded corporation” in the first paragraph of section 1029.8.36.0.38, paragraph *c* of the definition of “qualified corporation” in the first paragraph of any of sections 1029.8.36.72.1, 1029.8.36.72.29, 1029.8.36.72.56 and 1029.8.36.72.83 or any of sections 1029.8.36.171.3, 1029.8.36.171.4 and 1137.8; or”.

(2) Subsection 1 applies in respect of rights acquired after 20 August 2002. However, where paragraph *b* of section 21.4.1 of the said Act applies in respect of rights acquired before 12 June 2003, it shall be read as follows:

“(b) to avoid the application of Chapter IV.1, any of sections 83.0.3, 93.4, 225, 308.1, 384.4, 384.5, 560.1.2 and 736, paragraph *a* or *b* of section 736.0.2 or any of sections 736.0.3.1, 1029.8.36.171.3 and 1029.8.36.171.4; or”.

42. (1) Section 25 of the said Act is amended by replacing the second paragraph by the following paragraph:

“The tax payable under section 750 by an individual referred to in the first paragraph is equal to the portion of the tax that the individual would pay, but for this paragraph, under that section on the individual’s taxable income determined under section 24 if the individual were resident in Québec, that is the proportion, which shall not exceed 1, that that income earned in Québec is of the amount by which the amount that would have been the individual’s income, computed without reference to section 1029.8.50, had the individual been resident in Québec on the last day of the taxation year, exceeds any amount deducted by the individual under any of sections 726.20.2, 726.28, 737.14, 737.16, 737.16.1, 737.18.10, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.25 and 737.28 in computing that taxable income.”

(2) Subsection 1 applies from the taxation year 2002. In addition, where the second paragraph of section 25 of the said Act applies to taxation years that end after 20 October 2000 and before 1 January 2002, it shall be read with “737.14,” inserted after “726.20.2,”.

43. Section 39.6 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) the employer certifies in writing where so requested by the Minister that the individual was in the year an employee of the employer and performed the duties provided for in paragraph *a* and that the individual was at no time in the year an employee of the employer otherwise than as a volunteer, in connection with the performance of any of those duties or of similar duties.”

44. (1) The said Act is amended by inserting the following section after section 41.1.2:

“**41.1.3.** An individual who is a member of a police force or of a fire safety service is not required to include, in computing the individual’s income for a taxation year from an office or employment, the value of a benefit in respect of the use of a vehicle that is, in the year, made available to the individual by the employer or a person related to the employer, if

(a) a written directive of the employer limits the use, by the individual, of the vehicle for personal purposes and specifies that the vehicle is to be returned to the employer during an extended absence; and

(b) the vehicle is clearly identified with the employer’s name or, failing that, the vehicle has special equipment allowing for a prompt intervention in the case of events concerning public safety.”

(2) Subsection 1 applies from the taxation year 2003.

45. Section 42.12 of the said Act is amended by replacing “employed by” in subparagraphs *b* to *d* of the second paragraph by “an employee of”.

46. Section 42.14 of the said Act is replaced by the following section:

“**42.14.** Every person who operates a regulated establishment for which an individual performs employment duties without being an employee of the regulated establishment shall declare in writing to the employer of that individual in relation to those duties, at the end of each pay period of that employer, the total of the amounts of each of the tippable sales attributable to the individual and at that pay period.”

47. Section 66 of the said Act is amended by replacing “à l’emploi” in the French text by “un employé”.

48. Section 67 of the said Act is amended by replacing “employed by” in the first paragraph by “an employee of”.

49. (1) The said Act is amended by inserting the following section after section 87.3:

“87.3.1. For the purposes of section 87.3, the amount that, in relation to expenses described in paragraphs *a.1* and *c.1* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, is received at a particular time by a corporation that is a member of a partnership under Division II.6.15 of Chapter III.1 of Title III of Book IX shall be computed without reference to the second paragraph of section 1029.8.36.169, the third paragraph of section 1029.8.36.171 and sections 1029.8.36.171.1 and 1029.8.36.171.2.”

(2) Subsection 1 applies in respect of eligible expenses incurred after 12 June 2003.

50. (1) Section 92 of the said Act is amended by replacing the second paragraph by the following paragraph:

“However, the first paragraph does not apply to interest accrued, received or that became receivable in respect of a net income stabilization account, a farm income stabilization account, an income bond, an income debenture, a small business bond, an indexed debt obligation or a development bond.”

(2) Subsection 1 applies to taxation years that end after 1 November 2001.

51. (1) The said Act is amended by inserting the following sections after section 92.5.3:

“92.5.3.1. There shall be included in computing the income of a taxpayer for a taxation year from a business the aggregate of all amounts each of which is an amount determined by the formula

$A - B$.

For the purposes of the formula in the first paragraph,

(*a*) A is an amount paid at a particular time in the year out of the taxpayer’s farm income stabilization account; and

(*b*) B is the amount by which the aggregate described in the third paragraph is exceeded by the aggregate of all amounts each of which is an amount deemed to have been paid before the particular time out of the farm income stabilization account

i. of the taxpayer under section 656.3.1 or 660.2, or

ii. of another person under section 437.2 or 462.0.2, on being transferred to the taxpayer's farm income stabilization account.

The aggregate to which subparagraph *b* of the second paragraph refers is the aggregate of all amounts each of which is the amount by which an amount otherwise determined under this section in respect of a payment out of the taxpayer's farm income stabilization account, before the particular time, was reduced because of that subparagraph *b*.

“92.5.3.2. Notwithstanding any other provision of this Part, an amount added or credited to a taxpayer's farm income stabilization account shall not be included in computing the taxpayer's income solely because of that adding or crediting.

“92.5.3.3. For the purposes of this Act and the regulations, a taxpayer who ceased to carry on a farming business in Québec in respect of which the taxpayer owns a farm income stabilization account is, until the account balance is nil, deemed to continue carrying on that farming business and to have an establishment in Québec in relation to that farming business.”

(2) Subsection 1 applies to taxation years that end after 1 November 2001.

52. (1) Section 92.7 of the said Act is amended by inserting the following subparagraph after subparagraph viii.1 of paragraph *a*:

“viii.1.1. an obligation in respect of a farm income stabilization account,”.

(2) Subsection 1 applies to taxation years that end after 1 November 2001.

53. (1) Section 93.3.1 of the said Act, amended by section 18 of chapter 8 of the statutes of 2004, is again amended by replacing “exceeds its fair market value at the particular time” in subparagraph ii of subparagraph *d* of the second paragraph by “exceeds the lesser of its fair market value at the particular time and the amount that would otherwise be the transferor's proceeds of disposition of the property at the particular time”.

(2) Subsection 1 applies in respect of dispositions that occur after 25 March 1997.

54. (1) Section 105.2.1 of the said Act is amended by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) where the intangible capital property is at that time a qualified farm property or a qualified fishing property of the taxpayer, within the meaning assigned to those expressions by section 726.6, the capital property deemed to have been disposed of by the taxpayer as a consequence of the application of subparagraph *b* is deemed to be at that time a qualified farm property or a qualified fishing property of the taxpayer.”

(2) Subsection 1 has effect from 11 December 2002.

55. (1) The said Act is amended by inserting the following section after section 105.3:

“**105.4.** For the purposes of Title VI.5 of Book IV and of paragraph *b* of section 28 as it applies for the purposes of that Title, an amount included under paragraph *b* of section 105 in computing a taxpayer’s income for a particular taxation year from a business is deemed to be a taxable capital gain of the taxpayer for the year from the disposition in the year of qualified fishing property, within the meaning of section 726.6, to the extent of the lesser of

(*a*) the amount included under paragraph *b* of section 105 in computing the taxpayer’s income for the particular year from the business; and

(*b*) the amount determined by the formula

$A - B$.

In the formula provided for in subparagraph *b* of the first paragraph,

(*a*) *A* is the amount by which 1/2 of the aggregate of all amounts each of which is the taxpayer’s proceeds from a disposition, after 10 December 2002, in the particular year or a preceding taxation year of intangible capital property in respect of the business that, at the time of the disposition, was a qualified fishing property of the taxpayer, exceeds the amount determined under the third paragraph; and

(*b*) *B* is the aggregate of all amounts each of which is an amount deemed under this division to be a taxable capital gain of the taxpayer for a taxation year preceding the particular year from the disposition of qualified fishing property of the taxpayer.

The amount to which subparagraph *a* of the second paragraph refers is 1/2 of the aggregate of all amounts each of which is

(*a*) an intangible capital amount of the taxpayer in respect of the business that is payable or disbursed in relation to a qualified fishing property disposed of by the taxpayer, after 10 December 2002, in the particular year or a preceding taxation year, or

(*b*) an outlay or expense of the taxpayer that was not deductible in computing the taxpayer’s income and was made or incurred for the purpose of making a disposition referred to in subparagraph *a*.”

(2) Subsection 1 has effect from 11 December 2002.

56. (1) Section 142.1 of the said Act is amended by replacing “section 105 or 105.3” in subparagraph *c* of the second paragraph by “any of sections 105, 105.3 and 105.4”.

(2) Subsection 1 has effect from 11 December 2002.

57. (1) Section 156.5 of the said Act is amended by replacing the second paragraph by the following paragraph:

“No deduction may be made by a taxpayer under the first paragraph, in computing the taxpayer’s income from a business for a taxation year, in respect of property acquired from a person or partnership with whom or with which the taxpayer was not dealing at arm’s length at the time of acquisition if

(a) the property is property acquired by the person or partnership before 26 March 1997 or after 25 March 1997 pursuant to an obligation in writing entered into before 26 March 1997 or the construction of which, by or on behalf of the person or partnership, had begun by 25 March 1997;

(b) the person or partnership was entitled to deduct, for a taxation year or fiscal period, as the case may be, preceding the taxation year or fiscal period in which the property was disposed of, an amount in computing the person’s or partnership’s income from a business under the first paragraph or under the first paragraph of section 156.5.1, as the case may be, in respect of the property; or

(c) this paragraph or the second paragraph of section 156.5.1 applied to the person or partnership in respect of the property.”

(2) Subsection 1 has effect from 25 March 1997.

58. (1) Section 156.5.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

“No deduction may be made by a partnership under the first paragraph, in computing the partnership’s income from a business for a fiscal period, in respect of property acquired from a person or partnership with whom or with which the partnership was not dealing at arm’s length at the time of acquisition if

(a) the property is property acquired by the person or partnership before 26 March 1997 or after 25 March 1997 pursuant to an obligation in writing entered into before 26 March 1997 or the construction of which, by or on behalf of the person or partnership, had begun by 25 March 1997;

(b) the person or partnership was entitled to deduct, for a taxation year or fiscal period, as the case may be, preceding the taxation year or fiscal period in which the property was disposed of, an amount in computing the person’s or partnership’s income from a business under the first paragraph or under the first paragraph of section 156.5, as the case may be, in respect of the property; or

(c) this paragraph or the second paragraph of section 156.5 applied to the person or partnership in respect of the property.”

(2) Subsection 1 has effect from 25 March 1997.

59. (1) Section 156.6 of the said Act is amended by striking out “acquired before 1 April 2005” wherever it appears.

(2) Subsection 1 has effect from 13 June 2003.

60. (1) Section 157 of the said Act is amended by inserting the following paragraph after paragraph *i*:

“(i.1) an amount that is paid by the taxpayer in the year as a contribution under the Farm Income Stabilization Account program established under the Act respecting La Financière agricole du Québec (chapter L-0.1) and that is

- i. a contribution referred to in section 15 of that program,
- ii. an additional contribution referred to in section 16 of that program,
- iii. a special contribution referred to in section 16.1 or 50 of that program,
or
- iv. a special contribution referred to in the first paragraph of section 50.1 of that program, where the special contribution is made by a partnership;”.

(2) Subsection 1 applies in respect of amounts paid after 1 November 2001.

61. The heading of Division XII of Chapter III of Title III of Book III of Part I of the said Act is replaced, in the English text, by the following heading:

“INTEREST AND CERTAIN PROPERTY TAXES”.

62. (1) Section 161 of the said Act is amended by adding the following paragraph after paragraph *b*:

“(c) borrowed money used to acquire a share of the capital stock of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1), a class “A” or class “B” share issued by the corporation governed by the Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi (chapter F-3.1.2) or a class “A” share issued by the corporation governed by the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (chapter F-3.2.1), or an amount payable for such shares.”

(2) Subsection 1 applies from the taxation year 2003.

63. (1) Section 175.2 of the said Act is amended by inserting the following paragraph after paragraph *d.1*:

“(d.1.0.1) paying an amount as a contribution to a farm income stabilization account;”.

(2) Subsection 1 applies to taxation years that end after 1 November 2001.

64. (1) Section 175.2.4 of the said Act is amended by replacing “656.3” in paragraph *c* by “656.3.1”.

(2) Subsection 1 has effect from 2 November 2001.

65. (1) The said Act is amended by inserting the following after section 175.6:

“DIVISION XII.1.1

“EXPENSES FOR FOOD, BEVERAGES AND ENTERTAINMENT

“**175.6.1.** The aggregate of all amounts that a taxpayer may deduct in computing income from a business or property for a taxation year, each of which is an amount to which section 421.1 applies for the year, shall not exceed

(a) in respect of a business of the taxpayer that consists in acting as an intermediary in selling property included in the inventory of another taxpayer, the amount determined by the formula

$$[1\% \times (A / B)] + [1\% \times (C - A)]; \text{ and}$$

(b) in any other case, an amount equal to 1% of the taxpayer’s gross revenue for the year from the business or property.

In the formula provided for in subparagraph *a* of the first paragraph,

(a) A is the aggregate of all amounts each of which is the amount of a commission that the taxpayer included in computing income for the year from the business referred to in that subparagraph *a*;

(b) B is the average percentage of the aggregate of all the commissions in respect of which the taxpayer included the amount in computing income for the year from the business referred to in that subparagraph *a*; and

(c) C is the taxpayer’s gross revenue for the year from the business referred to in that subparagraph *a*.

However, an amount to which section 421.1 applies for a taxation year shall not be included in computing the aggregate referred to in the first paragraph,

in relation to a business of the taxpayer, where it is an amount in respect of food or beverages consumed in a place that is at least 40 kilometres from the taxpayer's place of business by a person who habitually works in that place of business or is ordinarily attached thereto and the amount is an amount paid or payable in connection with activities related to the business that are carried on by that person in a place that is at least 40 kilometres from that place of business.

In addition, no taxpayer who is a member of a partnership at the end of a fiscal period of the partnership may, in respect of a business carried on by the partnership or of property owned by the partnership, deduct an amount incurred by the taxpayer and to which section 421.1 applies, in computing income from the business or property for the taxpayer's taxation year in which that fiscal period ends."

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 175.6.1 of the said Act applies to taxation years that include that date, it shall be read with

(1) the formula provided for in subparagraph *a* of the first paragraph replaced by the following formula:

" $A + [1\% \times (B / C)] + [1\% \times (D - B)]$; and";

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

"(*b*) in any other case, the amount determined by the formula

$E + (1\% \times F)$.";

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

"In the formulas provided for in subparagraphs *a* and *b* of the first paragraph,

(*a*) *A* is the aggregate of all amounts each of which is the proportion of an amount to which section 421.1 applies for the year and which, but for this section, would be deductible by the taxpayer in computing income for the year from the business referred to in that subparagraph *a*, that the number of days in the year that precede 13 June 2003 is of the number of days in the year;

(*b*) *B* is the aggregate of all amounts each of which is the proportion of the amount of a commission that the taxpayer included in computing income for the year from the business referred to in that subparagraph *a*, that the number of days in the year that follow 12 June 2003 is of the number of days in the year;

(*c*) *C* is the average percentage of the aggregate of all the commissions in respect of which the taxpayer included the amount in computing income for the year from the business referred to in that subparagraph *a*;

(d) D is an amount equal to the proportion of the gross revenue for the year from carrying on the business referred to in that subparagraph *a*, that the number of days in the year that follow 12 June 2003 is of the number of days in the year;

(e) E is the aggregate of all amounts each of which is the proportion of an amount to which section 421.1 applies for the year and which, but for this section, would be deductible by the taxpayer in computing income for the year from the business, other than a business referred to in that subparagraph *a*, or property, that the number of days in the year that precede 13 June 2003 is of the number of days in the year; and

(f) F is an amount equal to the proportion of the taxpayer's gross revenue for the year from the business, other than a business referred to in that subparagraph *a*, or the property, that the number of days in the year that follow 12 June 2003 is of the number of days in the year.”;

(4) the reference to “first paragraph” in the third paragraph replaced by a reference to “first paragraph and subparagraphs *a* and *e* of the second paragraph”; and

(5) the reference to “incurred by the taxpayer” in the fourth paragraph replaced by a reference to “incurred by the taxpayer after 12 June 2003”.

66. (1) Section 209.4 of the said Act is amended

(1) by replacing “Aux fins” in the French text of the first paragraph by “Pour l'application”;

(2) by replacing “660.1” in the second paragraph by “660.2”.

(2) Paragraph 2 of subsection 1 has effect from 2 November 2001.

67. (1) Section 217.13 of the said Act is amended by replacing paragraph *c* by the following paragraph:

“(c) the taxpayer's income for the particular taxation year computed before deducting any amount under this section in respect of the business or under paragraph *j* of section 339 or any of sections 346.1 to 346.4 and 350.1.”

(2) Subsection 1 applies from the taxation year 2003.

68. (1) Section 225 of the said Act is amended by replacing “within the meanings assigned respectively by paragraphs *a* and *b* of section 1029.8.17” in paragraph *b* by “within the meaning assigned by the first paragraph of section 1029.6.0.0.1”.

(2) Subsection 1 has effect from 20 December 2001.

69. (1) Section 257 of the said Act, amended by section 50 of chapter 8 of the statutes of 2004, is again amended by inserting the following paragraph after paragraph *p*:

“(p.1) where the property is a capital interest of the taxpayer in a designated trust, within the meaning of section 671.5, the aggregate of all amounts each of which is an amount deducted, in respect of that interest, under section 772.15 in computing the tax payable under this Part by the taxpayer or, where the taxpayer is a partnership, by a member of the partnership, for a taxation year that ended before the particular time;”.

(2) Subsection 1 has effect from 12 July 2002.

70. (1) Section 259.1 of the said Act, amended by section 51 of chapter 8 of the statutes of 2004, is again amended by replacing “462.0.1” in the portion before paragraph *a* by “462.0.2”.

(2) Subsection 1 has effect from 2 November 2001.

71. Section 286 of the said Act is replaced by the following section:

“**286.** A taxation year in which a taxpayer does not inhabit the taxpayer’s principal residence by reason of the relocation of the taxpayer’s place of employment or that of the taxpayer’s spouse’s while the taxpayer or the taxpayer’s spouse is an employee of a person with whom the taxpayer or the taxpayer’s spouse is dealing at arm’s length shall not be included in the four years mentioned in section 285, where

(a) at any time, the taxpayer’s new home is at least 40 kilometres closer to the taxpayer’s new place of employment or that of the taxpayer’s spouse; and

(b) the taxpayer resumes habitation in the taxpayer’s principal residence while the taxpayer or the taxpayer’s spouse is still an employee of such person or before the end of the taxation year following that in which the taxpayer’s employment or that of the taxpayer’s spouse terminates, or the taxpayer dies while the taxpayer or the taxpayer’s spouse is still an employee of such person.”

72. (1) Section 311.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

“However, a social assistance payment referred to in the first paragraph does not include the portion of an amount received as last resort financial assistance under the Act respecting income support, employment assistance and social solidarity (chapter S-32.001) or similar government assistance that relates to

(a) an amount to meet the needs of children, whether minor or of full age;

(b) an amount received as a special benefit to provide for certain particular needs;

(c) an amount attributable to child care expenses; or

(d) an increase to account for an advance sales tax credit.”

(2) Subsection 1 applies from the taxation year 2002.

73. (1) Section 312.5 of the said Act is amended by replacing the second paragraph by the following paragraph:

“Notwithstanding the first paragraph, a taxpayer is not required to include, if the taxpayer so elects, the part of the amount referred to in the first paragraph received by the taxpayer that relates to one or more taxation years that precede the taxation year 2003 and follow the taxation year 1997.”

(2) Subsection 1 applies in respect of amounts received after 31 December 2002.

74. (1) Section 336 of the said Act is amended by replacing “real estate” in the English text of subparagraph vi of paragraph *e* by “property”.

(2) Subsection 1 has effect from 22 October 1999.

75. (1) Section 350.6 of the said Act is amended by striking out “of paragraph *a*” in the portion before subparagraph *a* of the first paragraph.

(2) Subsection 1 applies from the taxation year 2003.

76. Section 359.1 of the said Act is amended by replacing “1 January 2004” in the portion before subparagraph *a* of the first paragraph by “1 January 2005”.

77. (1) The said Act is amended by inserting the following section after section 437.1:

437.2. Where an individual who dies has at the time of death a farm income stabilization account, the balance of the account at that time is deemed to have been paid to the individual immediately before the individual’s death.”

(2) Subsection 1 applies in respect of deaths that occur after 1 November 2001.

78. (1) The said Act is amended by inserting the following section after section 441.1:

“441.2. Where a property that is a farm income stabilization account of an individual is, on or after the individual’s death and as a consequence thereof, transferred or assigned to the individual’s spouse, or to a trust described in the second paragraph, sections 437.2 and 462.0.2 do not apply in respect of the property if it can be shown, within the period ending 36 months after the death of the individual or, where written application therefor has been made to the Minister by the individual’s legal representative before the expiry of that period, within such longer period as the Minister considers reasonable, that the property has become vested indefeasibly in the spouse or trust.

The trust referred to in the first paragraph is a trust created by the individual’s will, under which the individual’s spouse is entitled to receive all of the income of the trust that arises before the spouse’s death, and no person except the spouse may receive or otherwise obtain enjoyment of any of the income or capital of the trust.”

(2) Subsection 1 applies in respect of property transferred as a consequence of deaths that occur after 1 November 2001.

79. (1) Section 442 of the said Act is amended by replacing “and 441.1” in the first paragraph by “to 441.2”.

(2) Subsection 1 has effect from 2 November 2001.

80. (1) Section 445 of the said Act is amended

(1) by replacing “in section 440 or 441.1” in the portion before paragraph *a* by “in any of sections 440 to 441.2”;

(2) by inserting “or a farm income stabilization account” after “net income stabilization account” in paragraph *b*.

(2) Subsection 1 applies in respect of property transferred as a consequence of deaths that occur after 1 November 2001.

81. (1) Section 451 of the said Act, amended by section 95 of chapter 8 of the statutes of 2004, is again amended by replacing the second paragraph by the following paragraph:

“For the purposes of subparagraph *a* of the first paragraph, the fair market value of a net income stabilization account or of a farm income stabilization account is deemed to be nil.”

(2) Subsection 1 has effect from 2 November 2001.

82. (1) The said Act is amended by inserting the following section after section 462.0.1:

“462.0.2. Where at any time a taxpayer disposes of an interest in the taxpayer’s farm income stabilization account, an amount equal to the balance of the account so disposed of is deemed, subject to the second and third paragraphs, to have been paid out of that account at that time to the taxpayer.

The rule set out in the first paragraph does not apply where the interest in the taxpayer’s farm income stabilization account is disposed of by the taxpayer to the taxpayer’s spouse or former spouse, in settlement of rights arising out of their marriage, on or after the breakdown of the marriage, if

(a) the disposition is made under an order or judgment of a competent tribunal or under a written separation agreement; and

(b) the taxpayer elects in the taxpayer’s fiscal return under this Part for the taxation year in which the interest was disposed of to have this paragraph apply to the disposition.

Where at any time a taxpayer who is an individual disposes of an interest in the taxpayer’s farm income stabilization account to a taxable Canadian corporation in a transaction in respect of which section 518 applies, an amount equal to the proceeds of disposition in respect of that interest is deemed to be paid, at that time, to the taxpayer out of that account.”

(2) Subsection 1 applies in respect of dispositions that occur after 1 November 2001.

83. (1) Section 485.41 of the said Act is replaced by the following section:

“485.41. Where, as a consequence of the disposition at any time by an individual or a partnership of a property that is a qualified farm property of the individual, within the meaning assigned by section 726.6, a qualified fishing property of the individual, within the meaning of that section, a qualified small business corporation share of the individual, within the meaning assigned by section 726.6.1, or a resource property of the individual or partnership, within the meaning assigned by section 726.20.1, the individual or partnership is deemed by section 485.35 to have a capital gain at that time from the disposition of another property, for the purposes of sections 28, 462.7 to 462.10 and 727 to 737, as they apply for the purposes of sections 726.6 to 726.20.4, the other property is deemed to be a qualified farm property, a qualified fishing property or a qualified small business corporation share, as the case may be, of the individual, or a resource property of the individual or partnership, as the case may be.”

(2) Subsection 1 has effect from 11 December 2002.

84. (1) Section 524 of the said Act is amended by inserting “, a farm income stabilization account” after “NISA Fund No. 2” in paragraph c.

(2) Subsection 1 applies in respect of dispositions that occur after 1 November 2001.

85. (1) Section 650 of the said Act is amended by replacing “and 441.1” by “to 441.2”.

(2) Subsection 1 has effect from 2 November 2001.

86. (1) Section 651 of the said Act is amended by replacing “and 441.1” by “to 441.2”.

(2) Subsection 1 has effect from 2 November 2001.

87. (1) Section 653 of the said Act is amended by replacing “462.0.1” in subparagraph *a.4* of the first paragraph by “462.0.2”.

(2) Subsection 1 has effect from 2 November 2001.

88. (1) The said Act is amended by inserting the following section after section 656.3:

“656.3.1. Every trust that holds an interest in a farm income stabilization account that was transferred to it in circumstances to which the second paragraph of section 441.2 applied is deemed, at the end of the day on which the spouse referred to in that paragraph dies, to have been paid an amount out of the account equal to the amount by which the balance at the end of that day in the account so transferred exceeds such portion of that balance as is deemed by section 660.2 to have been paid to the spouse.”

(2) Subsection 1 applies in respect of property transferred as a consequence of deaths that occur after 1 November 2001.

89. (1) Section 656.4 of the said Act is amended by replacing “656.3” in paragraph *a* by “656.3.1”.

(2) Subsection 1 has effect from 2 November 2001.

90. (1) Section 656.9 of the said Act is amended by replacing “656.3” by “656.3.1” in the following provisions:

- the portion of paragraph *a* before subparagraph *i*;
- subparagraph *ii* of paragraph *a*.

(2) Subsection 1 has effect from 2 November 2001.

91. (1) Section 657 of the said Act is amended, in paragraph *a*,

(1) by replacing subparagraph 2 of subparagraph *i* by the following subparagraph:

“(2) sections 92.5.2 and 92.5.3.1, except to the extent that section 92.5.2 or section 92.5.3.1 applies to an amount paid to a trust described in the second paragraph of section 441.1 or of section 441.2 respectively and before the death of the spouse referred to in the second paragraph of either of those sections, as the case may be.”;

(2) by inserting “, 656.3.1” after “656.3” in subparagraph 4 of subparagraph i;

(3) by replacing subparagraph 2 of subparagraph ii by the following subparagraph:

“(2) sections 92.5.2 and 92.5.3.1, except to the extent that section 92.5.2 or section 92.5.3.1 applies to an amount paid to a trust described in the second paragraph of section 441.1 or of section 441.2 respectively and before the death of the spouse referred to in the second paragraph of either of those sections, as the case may be, and”;

(4) by inserting “, 92.5.3.1” after “92.5.2” in the following provisions:

— subparagraph ii.1;

— subparagraph 1 of subparagraph iii.

(2) Subsection 1 applies to taxation years of trusts that end after 1 November 2001.

92. (1) Section 658 of the said Act is amended, in the definition of “accumulating income” in the first paragraph,

(1) by replacing “and 656.3” in subparagraph *a* by “to 656.3.1”;

(2) by adding the following subparagraph after subparagraph *e*:

“(f) without reference to section 92.5.3.1, except where that section applies to an amount paid to a trust described in the second paragraph of section 441.2 and before the death of the spouse referred to in that paragraph.”;

(2) Subsection 1 has effect from 2 November 2001.

93. (1) The said Act is amended by inserting the following section after section 660.1:

“660.2. Where, at the end of the day on which a taxpayer dies and as a consequence of the death, an amount would, but for this section, be deemed by section 656.3.1 to have been paid to a trust out of the trust’s farm income stabilization account and the trust and the legal representative of the taxpayer so elect in prescribed form, such portion of the amount as is designated in the election is deemed to have been paid to the taxpayer out of a farm income

stabilization account of the taxpayer immediately before the end of the day and, for the purposes of subparagraph *b* of the second paragraph of section 92.5.3.1 in respect of the trust, the amount is deemed to have been paid out of the trust's farm income stabilization account immediately before the end of the day.”

(2) Subsection 1 applies in respect of deaths that occur after 1 November 2001.

94. (1) Section 663.1 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**663.1.** Subject to section 671.7, where a trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 of section 104 of that Act, designates an amount in respect of a beneficiary under the trust, the lesser of the amount so designated and the amount determined under the second paragraph in respect of the beneficiary for the year, is deemed, for the purposes of sections 662 and 663, not to have been paid or to have become payable in the year to or for the benefit of the beneficiary or out of income of the trust.”

(2) Subsection 1 applies in respect of amounts designated, in accordance with subsection 13.1 of section 104 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), after 11 July 2002.

95. (1) Section 663.2 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**663.2.** Subject to section 671.7, where a trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.2 of section 104 of that Act, designates an amount in respect of a beneficiary under the trust, the lesser of the amount so designated and the amount determined under the second paragraph in respect of the beneficiary for the year, is deemed, for the purposes of sections 662 and 663, except where section 663 applies for the purposes of section 668, not to have been paid or to have become payable in the year to or for the benefit of the beneficiary or out of income of the trust, and, except for the purposes of section 668 as it applies for the purposes of sections 668.0.1 to 668.2, shall reduce the amount of the taxable capital gain of the beneficiary otherwise included in computing the beneficiary's income for the year by reason of section 668.”

(2) Subsection 1 applies in respect of amounts designated, in accordance with subsection 13.2 of section 104 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), after 11 July 2002.

96. (1) The said Act is amended by inserting the following after section 671.4:

“CHAPTER V.1**“BENEFICIARY UNDER A DESIGNATED TRUST**

“671.5. In this chapter,

“designated beneficiary” under a designated trust for a taxation year of the designated trust means a beneficiary under the designated trust or, where the beneficiary under the designated trust is a partnership, a member of the partnership, who has for the year, with any person or partnership with whom or with which the member is not dealing at arm’s length, a share of the aggregate of the income interests in the designated trust that is an amount of \$5,000 or more, or a share of the aggregate of the income interests in the designated trust or of the aggregate of the capital interests in the designated trust that corresponds to at least 10% of the aggregate of the income interests or of the aggregate of the capital interests in the designated trust;

“designated trust” means a trust that is resident in Canada but outside Québec on the last day of a taxation year, but does not include a unit trust or a trust described in any of paragraphs *a* to *e.1* of the definition of “trust” in subsection 1 of section 108 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

“671.6. For the purposes of this chapter, the Minister may determine that a beneficiary under a designated trust for a taxation year of the designated trust, or a member of a partnership that is a beneficiary under a designated trust for a taxation year of the designated trust, is a designated beneficiary under the designated trust for the year, if the Minister is of the opinion that the share, for the year, of the aggregate of the income interests or of the aggregate of the capital interests in the designated trust of the beneficiary or member, or of the aggregate of the income interests or of the aggregate of the capital interests in the designated trust of any person or partnership with whom or with which the beneficiary or member is not dealing at arm’s length, has been reduced by reason of a transaction or event or a series of transactions or events.

“671.7. Where a designated trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 or 13.2 of section 104 of that Act, designates an amount in respect of a beneficiary under the designated trust who is a designated beneficiary for the year or a partnership at least one member of which is a designated beneficiary for the year, the presumption in the first paragraph of section 663.1 or 663.2 does not apply in respect of the amount so designated in respect of that designated beneficiary or does not apply in respect of the amount that may reasonably be considered to relate to the share of the designated beneficiary who is a member of the partnership in the amount so designated in respect of that partnership.

“671.8. Every beneficiary under a designated trust for a particular taxation year of the designated trust shall enclose with the fiscal return the beneficiary is required to file under section 1000 for the beneficiary’s taxation year in which the particular year ends, or would be required to so file if tax were payable by the beneficiary under this Part for the beneficiary’s taxation year in which the particular year ends and, where the beneficiary under the designated trust for the particular year is a partnership, every member of the partnership shall enclose with the fiscal return the member is required to file under section 1000 for the member’s taxation year in which ends the fiscal period of the partnership in which the particular year ends, or would be required to so file if tax were payable by the member for the member’s taxation year in which that fiscal period ends, an information return, in prescribed form, containing

- (a) the name of the designated trust;
- (b) the name and address of the trustee under the designated trust for the particular year; and
- (c) the date from which the beneficiary is such a beneficiary under the designated trust.

Where the beneficiary referred to in the first paragraph has, for the particular year, with any person or partnership with whom or with which the beneficiary is not dealing at arm’s length, a share of the aggregate of the income interests in the designated trust that is an amount of \$5,000 or more, or a share of the aggregate of the income interests in the designated trust or of the aggregate of the capital interests in the designated trust that corresponds to at least 10% of the aggregate of the income interests in the designated trust or of the aggregate of the capital interests in the designated trust, the information return referred to in that paragraph shall also contain the following information, for the particular year and for the four taxation years preceding the particular year:

- (a) any former address of the trustee under the designated trust for the particular year; and
- (b) the name and address of any trustee preceding the trustee under the designated trust for the particular year.

“671.9. Every designated beneficiary under a designated trust for a particular taxation year of the designated trust shall enclose with the fiscal return the designated beneficiary is required to file under section 1000 for the designated beneficiary’s taxation year in which the particular year ends, or would be required to so file if tax were payable by the designated beneficiary under this Part for the designated beneficiary’s taxation year in which the particular year ends, an information return, in prescribed form, in which the designated beneficiary indicates the amounts that are paid to the designated beneficiary or became payable in the particular year by the designated trust, or that are paid for the benefit of the designated beneficiary, and that were designated by the designated trust in its fiscal return filed for the particular

year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 or 13.2 of section 104 of that Act.

Every designated beneficiary who is a member of a partnership that is a beneficiary under the designated trust for a particular taxation year of the designated trust, shall enclose with the fiscal return the designated beneficiary is required to file under section 1000 for the designated beneficiary's taxation year in which ends the fiscal period of the partnership in which the particular year ends, or would be required to so file if tax were payable by the designated beneficiary under this Part for the designated beneficiary's taxation year in which ends the partnership's fiscal period in which the particular year ends, an information return, in prescribed form, in which the designated beneficiary indicates the designated beneficiary's share of the amounts that are paid or became payable in the particular year by the designated trust to the partnership of which the designated beneficiary is a member, or that are paid for the benefit of the designated beneficiary, and that were designated by the designated trust in its fiscal return filed for the particular year under Part I of the Income Tax Act, in accordance with subsection 13.1 or 13.2 of section 104 of that Act.

“671.10. Every designated beneficiary under a designated trust for a taxation year of the designated trust who omits to include an amount, under section 662 or 663, in computing the designated beneficiary's income for a particular taxation year, in relation to an amount designated by the designated trust in its fiscal return filed for the year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 or 13.2 of section 104 of that Act, incurs a penalty equal to the greater of \$100 and 25% of the amount by which

(a) the tax that would have been payable by the designated beneficiary for the particular year under this Act if

i. the designated beneficiary's taxable income for the particular year, determined on the basis of the information provided in the fiscal return filed by the designated beneficiary for the purposes of this Act in respect of the particular year, were computed by adding that portion of the amount determined in the second paragraph that may reasonably be attributed to that omission, and

ii. the designated beneficiary's tax payable for the particular year were computed by subtracting from the aggregate of all deductions from the tax otherwise payable by the designated beneficiary for the particular year the portion of any such deduction as may reasonably be attributed to that omission, and by adding to that aggregate any amount not deducted from the tax otherwise payable by the designated beneficiary for the particular year and that is deductible under Book V, if the amount that entitles the designated beneficiary to that deduction is wholly applicable to an amount that was not reported by the designated beneficiary in the fiscal return filed by the designated

beneficiary for the purposes of this Act in respect of the particular year and that were required to be included in computing the designated beneficiary's income for the particular year, under section 662 or 663, in relation to an amount designated by a designated trust in accordance with subsection 13.1 or 13.2 of section 104 of the Income Tax Act; exceeds

(b) the tax that would have been payable by the designated beneficiary for the particular year under this Act had it been determined on the basis of the information provided in the designated beneficiary's fiscal return filed for the purposes of this Act in respect of the particular year.

The amount to which subparagraph i of subparagraph a of the first paragraph refers in respect of a designated beneficiary under a designated trust for a taxation year of the designated trust is the aggregate of

(a) the amount by which the aggregate of the amounts that were not indicated by the designated beneficiary in the fiscal return filed by the designated beneficiary for the purposes of this Act in respect of the particular year and that were required to be included in computing the designated beneficiary's income for the particular year, under section 662 or 663, in relation to an amount designated by the designated trust in accordance with subsection 13.1 or 13.2 of section 104 of the Income Tax Act, exceeds the aggregate of the amounts that were not deducted by the designated beneficiary in computing the designated beneficiary's taxable income for the particular year indicated by the designated beneficiary in the fiscal return, were deductible in computing the designated beneficiary's taxable income under this Act, or that would be, were it not for the application of Book V.2.1, and were wholly applicable to the amounts that were required to be so included therein; and

(b) the amount by which the aggregate of amounts, other than those provided for in sections 727 to 737, deducted by the designated beneficiary in computing the designated beneficiary's taxable income for the particular year indicated by the designated beneficiary in the fiscal return for the purposes of this Act in respect of the particular year exceeds the aggregate of amounts, other than those provided for in sections 727 to 737, deductible in computing the designated beneficiary's taxable income for the particular year under this Act.

For the purposes of the first paragraph, the taxable income of a designated beneficiary under a designated trust for a taxation year of the designated trust, determined on the basis of information provided in the designated beneficiary's fiscal return for the purposes of this Act in respect of the particular year, is deemed not to be less than zero.

However, the penalty provided for in the first paragraph does not apply where the designated beneficiary under a designated trust for a taxation year of the designated trust incurs in respect of the omission the penalty provided for in section 1049."

(2) Subsection 1, except where it enacts sections 671.8 to 671.10 of the said Act, applies in respect of amounts designated, in accordance with subsection 13.1 or 13.2 of section 104 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), after 11 July 2002.

(3) Subsection 1, where it enacts sections 671.8 and 671.9 of the said Act, applies, in the case of a corporation, to taxation years that end after 11 July 2002, and in any other case, from the taxation year 2002 and, where it enacts section 671.10 of the said Act, has effect from 12 July 2002.

97. (1) Section 692.5 of the said Act is amended by replacing “462.0.1” in paragraphs *b* and *i* by “462.0.2”.

(2) Subsection 1 has effect from 2 November 2001.

98. (1) Section 693 of the said Act is amended by replacing the second paragraph by the following paragraph:

“However, the taxpayer shall apply the provisions of this Book in the following order: sections 694.0.1, 694.0.2, 694.0.3, 737.17, 737.18.12 and 726.29, Titles V, VI.8, V.1, VI.0.1, VI.1, VI.2, VI.3, VI.3.1, VI.3.2, VI.3.2.1, VI.3.2.2, VI.3.2.3, VII, VI.5 and VI.5.1 and sections 725.1.2, 737.14 to 737.16.1, 737.18.3, 737.18.10, 737.18.11, 737.18.17, 737.18.26, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25, 737.28 and 726.28.”

(2) Subsection 1 applies from the taxation year 2001. However, where the second paragraph of section 693 of the said Act applies

(1) to taxation years that end after 31 December 2000 and before 30 March 2001, it shall be read as follows:

“However, the taxpayer shall apply the provisions of this Book in the following order: sections 694.0.1, 694.0.2, 694.0.3, 737.17 and 737.18.12, Titles V, VI.8, V.1, VI.0.1, VI.1, VI.2, VI.3, VI.3.1, VI.3.2, VI.3.2.1, VI.3.2.2, VI.3.2.3, VII, VI.5, VI.5.1 and VI.6 and sections 725.1.2, 737.14 to 737.16.1, 737.18.3, 737.18.10, 737.18.11, 737.18.17, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25 and 737.28.”;

(2) to taxation years that end after 29 March 2001 and before 22 February 2002, it shall be read as follows:

“However, the taxpayer shall apply the provisions of this Book in the following order: sections 694.0.1, 694.0.2, 694.0.3, 737.17 and 737.18.12, Titles V, VI.8, V.1, VI.0.1, VI.1, VI.2, VI.3, VI.3.1, VI.3.2, VI.3.2.1, VI.3.2.2, VI.3.2.3, VII, VI.5, VI.5.1 and VI.6 and sections 725.1.2, 737.14 to 737.16.1, 737.18.3, 737.18.10, 737.18.11, 737.18.17, 737.18.26, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25 and 737.28.”;

(3) to taxation years that end after 21 February 2002 and before 1 January 2003, it shall be read as follows:

“However, the taxpayer shall apply the provisions of this Book in the following order: sections 694.0.1, 694.0.2, 694.0.3, 737.17, 737.18.12 and 726.29, Titles V, VI.8, VI.9, V.1, VI.0.1, VI.1, VI.2, VI.3, VI.3.1, VI.3.2, VI.3.2.1, VI.3.2.2, VI.3.2.3, VII, VI.5, VI.5.1 and VI.6 and sections 725.1.2, 737.14 to 737.16.1, 737.18.3, 737.18.10, 737.18.11, 737.18.17, 737.18.26, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25, 737.28 and 726.28.”

99. (1) Section 710 of the said Act is amended by inserting the following subparagraph after subparagraph iii of paragraph *a*:

“iii.1. a recognized political education organization if the gift is made after 18 December 2002.”

(2) Subsection 1 has effect from 19 December 2002.

100. (1) Section 714.1 of the said Act is amended by inserting “iii.1,” after “in any of subparagraphs i, ii,” in the first paragraph.

(2) Subsection 1 has effect from 19 December 2002.

101. (1) Section 725 of the said Act, amended by section 136 of chapter 8 of the statutes of 2004, is again amended by replacing paragraph *c* by the following paragraph:

“(c) a social assistance payment made on the basis of a means, needs or income test, that is a payment other than a payment received as last resort financial assistance under the Act respecting income support, employment assistance and social solidarity (chapter S-32.001) or as similar government assistance and that is included in computing the individual’s income by reason of section 311.1 or by reason of section 317 as a supplement or allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or in respect of any similar payment made under a law of a province;”

(2) Subsection 1 applies from the taxation year 2003.

102. (1) Section 725.1.2 of the said Act is amended by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) an amount that is a support amount as defined in the first paragraph of section 312.3 or an amount referred to in the first paragraph of section 312.5 in respect of an amount deducted for a taxation year preceding the taxation year 1998 or a taxation year subsequent to the taxation year 2002;”

(2) Subsection 1 applies in respect of amounts received after 31 December 2002.

103. (1) Section 725.2 of the said Act is amended by replacing “1/2” in the portion before paragraph *a* by “37.5%”.

(2) Subsection 1 applies in respect of transactions, circumstances or events that occur after 12 June 2003 following which a benefit is deemed received by an individual under section 49 or any of sections 50 to 52.1 of the said Act.

104. (1) Section 725.3 of the said Act is amended by replacing “1/2” in the portion before paragraph *a* by “37.5%”.

(2) Subsection 1 applies in respect of dispositions or exchanges that occur after 12 June 2003.

105. (1) Section 725.6 of the said Act is amended by replacing the portion before paragraph *a* by the following:

“**725.6.** Subject to paragraph *g* of each of sections 737.18, 737.18.13 and 737.18.35 and paragraph *e* of each of sections 737.22, 737.22.0.0.4, 737.22.0.0.8, 737.22.0.4 and 737.22.0.8, an individual who has, by virtue of sections 487.1 to 487.6, included an amount in computing the individual’s income for the year in respect of a benefit received by the individual in respect of a home relocation loan, may deduct an amount equal to the least of”.

(2) Subsection 1 has effect from 1 January 2001.

106. (1) Title V.1.1 of Book IV of Part I of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 2001.

107. Section 726.4.10 of the said Act, amended by section 138 of chapter 8 of the statutes of 2004, is again amended by replacing “31 December 2003” in the portion of subparagraph *i* of paragraph *a* before subparagraph 1 by “31 December 2004”.

108. (1) The said Act is amended by inserting the following section after section 726.4.10.1:

“**726.4.10.2.** Notwithstanding section 726.4.10.1, where an expense referred to in subparagraph *i* of paragraph *a* of section 726.4.10 was incurred after 12 June 2003, the percentage of 33 1/3% mentioned in that paragraph *a* shall, in respect of the expense, be replaced by a percentage of 10.42%.

The first paragraph does not apply in respect of an expense incurred as a result of

(a) an investment made on or before 12 June 2003, in relation to a flow-through share issued after that date; or

(b) an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus, as the case may be, made on or before 12 June 2003, in relation to a flow-through share issued after that date.”

(2) Subsection 1 has effect from 13 June 2003.

109. (1) The said Act is amended by inserting the following section after section 726.4.11.1:

“726.4.11.2. Notwithstanding section 726.4.11.1, where an amount referred to in paragraph *b* of section 726.4.11 in respect of an individual is an amount in respect of which the consideration given by the individual is a property or services the cost of which may reasonably be regarded as an expenditure in respect of which section 726.4.10.2 applied, the percentage of 33 1/3% mentioned in paragraph *b* of section 726.4.11 shall, in respect of the amount, be replaced by a percentage of 10.42%.”

(2) Subsection 1 has effect from 13 June 2003.

110. Section 726.4.12 of the said Act is amended by replacing “31 December 2003” by “31 December 2004” in the following provisions:

— paragraph *b*;

— subparagraph *i* of paragraph *d*.

111. Section 726.4.17.2 of the said Act, amended by section 139 of chapter 8 of the statutes of 2004, is again amended by replacing “31 December 2003” in the portion of paragraph *a* before subparagraph *i* by “31 December 2004”.

112. (1) The said Act is amended by inserting the following section after section 726.4.17.2.1:

“726.4.17.2.2. Notwithstanding section 726.4.17.2.1, where an expense referred to in paragraph *a* of section 726.4.17.2 was incurred after 12 June 2003, the percentage of 33 1/3% mentioned in that section shall, in respect of the expense, be replaced by a percentage of 20.83%.

The first paragraph does not apply in respect of an expense incurred as a result of

(a) an investment made on or before 12 June 2003, in relation to a flow-through share issued after that date; or

(b) an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus, as the case may be, made on or before 12 June 2003 in relation to a flow-through share issued after that date.”

(2) Subsection 1 has effect from 13 June 2003.

113. (1) The said Act is amended by inserting the following section after section 726.4.17.3.1:

“726.4.17.3.2. Notwithstanding section 726.4.17.3.1, where an amount referred to in paragraph *b* of section 726.4.17.3 in respect of an individual is an amount in respect of which the consideration given by the individual is a property or services the cost of which may reasonably be regarded as an expenditure in respect of which section 726.4.17.2.2 applied, the percentage of 33 1/3% mentioned in paragraph *b* of section 726.4.17.3 shall, in respect of the amount, be replaced by a percentage of 20.83%.”

(2) Subsection 1 has effect from 13 June 2003.

114. Section 726.4.17.4 of the said Act is amended by replacing “31 December 2003” by “31 December 2004” in the following provisions:

— paragraph *b*;

— subparagraph *i* of paragraph *d*.

115. (1) Section 726.4.17.12 of the said Act is amended

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

(2) by adding the following paragraph after the third paragraph:

“The first paragraph does not apply in respect of a public issue of shares in respect of which the application for a receipt for the preliminary prospectus or the application for an exemption from filing a prospectus, as the case may be, is made after 12 June 2003.”

(2) Paragraph 2 of subsection 1 has effect from 13 June 2003.

116. (1) Section 726.4.17.13 of the said Act is amended

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

(2) by adding the following paragraph after the third paragraph:

“The first paragraph does not apply in respect of a public issue of securities in respect of which the application for a receipt for the preliminary prospectus or the application for an exemption from filing a prospectus, as the case may be, is made after 12 June 2003.”

(2) Paragraph 2 of subsection 1 has effect from 13 June 2003.

117. (1) Section 726.4.17.14 of the said Act is amended by replacing “section 1029.8.17” in paragraph *b* by “the first paragraph of section 1029.6.0.0.1”.

(2) Subsection 1 has effect from 20 December 2001.

118. (1) Section 726.4.17.16 of the said Act is amended by replacing “of section 1029.8.17” by “assigned by the first paragraph of section 1029.6.0.0.1” in the following provisions:

— paragraph *b.1*;

— paragraph *c*.

(2) Subsection 1 has effect from 20 December 2001.

119. Section 726.4.17.20 of the said Act is amended by replacing “31 December 2003” in the portion of paragraph *a* before subparagraph *i* by “31 December 2004”.

120. (1) Section 726.6 of the said Act, amended by section 140 of chapter 8 of the statutes of 2004, is again amended

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

“(a.0.1) “qualified fishing property” of an individual, other than a trust, at any time means a fishing licence, an individual quota or a fishing boat owned or held by the individual at that time and used by an individual in carrying on a fishing business, including the harvesting of marine plants, in Québec;”;

(2) by replacing “fourth paragraph” wherever it appears in subparagraph 1 of subparagraphs *i* and *ii* of subparagraph *a.3* of the first paragraph by “fifth paragraph”;

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

“(2) the amount that would be determined in respect of the individual for the year under paragraph *b* of section 28 in respect of capital gains and capital losses if the only properties referred to in that paragraph were qualified farm properties disposed of by the individual after 31 December 1984, qualified

small business corporation shares disposed of by the individual after 17 June 1987 and qualified fishing properties disposed of by the individual after 10 December 2002, exceeds”;

(4) by replacing “Aux fins” in the portion of the French text of the second paragraph before subparagraph *a* and the third paragraph by “Pour l’application”;

(5) by inserting the following paragraph after the third paragraph:

“For the purposes of subparagraph *a.0.1* of the first paragraph, property of an individual is considered to be used in carrying on a fishing business, including the harvesting of marine plants, in Québec only if

(a) the individual owned or held the property, or property for which the property was substituted, throughout a period of at least 24 months immediately preceding the time specified in subparagraph *a.0.1* of the first paragraph; and

(b) in at least two years during which the individual so owned or held the property or property for which the property was substituted, the individual’s gross revenue from the fishing business, including the harvesting of marine plants, carried on in Québec in which the property or property for which the property was substituted was principally used and in which the individual was actively engaged on a regular and continuous basis, exceeded the income of the individual from all other sources for the year.”

(2) Subsection 1 has effect from 11 December 2002.

121. (1) Section 726.6.1 of the said Act is amended

(1) by replacing “Aux fins” by “Pour l’application”, in the French text of the following provisions:

- the portion of the second paragraph before subparagraph *a*;
- the third paragraph;

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

“For the purposes of the definitions of “qualified small business corporation share” and “share of the capital stock of a family farm corporation” in the first paragraph, the fair market value of a net income stabilization account or of a farm income stabilization account is deemed to be nil.”

(2) Paragraph 2 of subsection 1 has effect from 2 November 2001.

122. (1) The said Act is amended by inserting the following section after section 726.7.1:

“726.7.2. An individual other than a trust may deduct, in computing the individual’s taxable income for a taxation year, if the individual was resident in Canada throughout the year and disposed in the year or a preceding taxation year and after 10 December 2002 of a qualified fishing property, such amount as the individual may claim not exceeding the least of

(a) the amount determined by the formula provided for in subparagraph *a* of the first paragraph of section 726.7 in respect of the individual for the year;

(b) the amount by which the individual’s cumulative gains limit at the end of the year exceeds the aggregate of all the amounts deducted under sections 726.7 and 726.7.1 in computing the individual’s taxable income for the year;

(c) the amount by which the individual’s annual gains limit for the year exceeds the aggregate of all the amounts deducted under sections 726.7 and 726.7.1 in computing the individual’s taxable income for the year; and

(d) the amount that would be determined in respect of the individual for the year under paragraph *b* of section 28 in respect of capital gains and capital losses if the only properties referred to in that paragraph were qualified fishing property disposed of by the individual after 10 December 2002.”

(2) Subsection 1 has effect from 11 December 2002.

123. (1) Section 726.9 of the said Act is amended by replacing “726.7 and 726.7.1” by “726.7 to 726.7.2”.

(2) Subsection 1 has effect from 11 December 2002.

124. (1) Section 726.10 of the said Act is amended by replacing “726.7 and 726.7.1” by “726.7 to 726.7.2”.

(2) Subsection 1 has effect from 11 December 2002.

125. (1) Section 726.11 of the said Act is amended by replacing “726.7 and 726.7.1” in the portion before paragraph *a* by “726.7 to 726.7.2”.

(2) Subsection 1 has effect from 11 December 2002.

126. (1) Section 726.20.1 of the said Act is amended, in the first paragraph,

(1) by replacing “31 December 2003” in paragraph *a* of the definition of “resource property” by “12 June 2003”;

(2) by replacing “in section 726.7 or 726.7.1” in paragraph *c* of the definition of “eligible taxable capital gain amount” by “in any of sections 726.7 to 726.7.2”.

(2) Paragraph 1 of subsection 1 applies in respect of flow-through shares issued after 12 June 2003, except if those shares are issued following an investment made on or before that date, or following an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus, as the case may be, made on or before that date.

(3) Paragraph 2 of subsection 1 has effect from 11 December 2002.

127. (1) Section 726.26 of the said Act is amended by replacing the second paragraph by the following paragraph:

“In the first paragraph, an individual’s copyright income for a taxation year is equal to the amount by which the aggregate of the amounts included in computing the individual’s income for the year, in respect of a work of which the individual is the creator, from a copyright, or public lending rights paid under a program administered by the Public Lending Right Commission under the authority of the Canada Council for the Arts, of which the individual is the first owner, excluding any amount from an exclusive right conferred on the individual in relation to the individual’s performance as a performing artist, exceeds the aggregate of the amounts deducted in computing the individual’s income for the year and that may reasonably be considered as relating to expenses incurred to collect the amounts from that copyright.”

(2) Subsection 1 applies from the taxation year 2003.

128. (1) The said Act is amended by inserting the following after section 726.26:

“TITLE VI.9

“DEDUCTION FOR QUALIFIED PATRONAGE DIVIDENDS

“CHAPTER I

“INTERPRETATION

“726.27. In this Title,

“qualified cooperative” for a taxation year means a cooperative that holds a qualification certificate issued, for the purposes of this Title, by the Minister of Economic and Regional Development and Research for the year;

“qualified patronage dividends” for a taxation year means a patronage dividend that a taxpayer who is a member of a qualified cooperative or of a partnership that is a member of a qualified cooperative, receives in the year and before 1 January 2013, in the form of a preferred share issued by the qualified cooperative, and that the taxpayer included in computing the taxpayer’s income for the year under section 795.

“CHAPTER II**“DEDUCTION**

“726.28. A taxpayer may deduct in computing the taxpayer’s taxable income for a taxation year the amount of the taxpayer’s qualified patronage dividends for the year, if the taxpayer encloses with the fiscal return the taxpayer is required to file under section 1000 for the year the prescribed form containing the prescribed information.

“CHAPTER III**“AMOUNT TO BE INCLUDED**

“726.29. There shall be included in computing a taxpayer’s taxable income for a taxation year the amount of a qualified patronage dividend deducted by the taxpayer under section 726.28 in computing the taxpayer’s taxable income for a preceding taxation year, where the preferred share relating to the qualified patronage dividend is disposed of in the year by the taxpayer or in the fiscal period ended in the year by the partnership of which the taxpayer was a member at the end of the fiscal period ended in the preceding year.

For the purposes of the first paragraph, a member of a cooperative is deemed to dispose of the preferred shares issued by the cooperative that are identical properties in the order in which the member acquired them.

The first paragraph does not apply where the disposition by a member of a preferred share issued by a cooperative results from the amalgamation, within the meaning of section 544, or the winding-up of the cooperative and, as a consequence of the amalgamation or winding-up, the member receives from another cooperative a new preferred share issued by the other cooperative to replace the preferred share so disposed of.”

(2) Subsection 1 has effect from 22 February 2002. However, where the definition of “qualified cooperative” in the first paragraph of section 726.27 of the said Act applies

(1) in respect of qualification certificates issued after 28 April 2003 and before 23 March 2004, the reference therein to “Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Economic and Regional Development”;

(2) in respect of qualification certificates issued before 29 April 2003, the reference therein to “Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Industry and Trade”.

129. (1) Section 728.0.1 of the said Act is amended by striking out “725.9,” in paragraph *a*.

(2) Subsection 1 applies from the taxation year 2001.

130. (1) Section 733.0.3 of the said Act is replaced by the following section:

“733.0.3. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss for a taxation year of an individual who, for that year, benefited from the deduction provided for in section 737.18.10, income realized by the individual during the individual’s exemption period, within the meaning of section 737.18.6, in relation to an employment, or a loss sustained by the individual during such a period is deemed to be nil.”

(2) Subsection 1 has effect from 1 January 2001.

131. (1) Section 733.0.5 of the said Act is amended by replacing the first paragraph by the following paragraph:

“733.0.5. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss or limited partnership loss for a taxation year of a corporation that carries on a recognized business in the year or is a member of a partnership that carries on such a recognized business in a fiscal period of the partnership ending in the year, in relation to a major investment project of the corporation or partnership, in respect of which the Minister of Finance issued an annual qualification certificate for the taxation year of the corporation or fiscal period of the partnership, the following rules apply:

(a) where the amount determined under subparagraph *a* of the second paragraph of section 737.18.17 in respect of the corporation for the year exceeds the amount determined under subparagraph *b* of that paragraph in its respect for the year,

i. the amount that is the income or portion of the income of the corporation for the year, determined under subparagraph *a* of the second paragraph of section 737.18.17, is deemed to be nil, and

ii. the amount that is the loss or portion of the loss of the corporation for the year, determined under subparagraph *b* of the second paragraph of section 737.18.17, is deemed to be nil; and

(b) where the amount determined under subparagraph *d* of the second paragraph of section 737.18.17 in respect of the partnership for the fiscal period exceeds the amount determined under subparagraph *e* of that paragraph in respect of the partnership for the fiscal period,

i. the corporation’s share of the amount that is the income or portion of the income, determined under subparagraph *d* of the second paragraph of section 737.18.17 in respect of the partnership for the fiscal period, is deemed to be nil, and

ii. the corporation's share of the amount that is the loss or portion of the loss, determined under subparagraph *e* of the second paragraph of section 737.18.17 in respect of the partnership for the fiscal period, is deemed to be nil."

(2) Subsection 1 applies to taxation years that end after 14 March 2000.

132. (1) Section 733.0.6 of the said Act is amended by replacing the formula provided for in the second paragraph by the following formula:

" $75\% \times \{1 - [(A - \$20,000,000) / \$10,000,000]\}$."

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 733.0.6 of the said Act applies to taxation years that include 12 June 2003, it shall be read

(1) with the formula provided for in the second paragraph replaced by the following formula:

" $\{[1 - (A / \$10,000,000)] \times B\} + \{75\% \times [1 - (A / \$10,000,000)] \times C\}$ ";
and

(2) with the third paragraph replaced by the following paragraph:

"In the formula provided for in the second paragraph,

(a) A is the amount by which the greater of \$20,000,000 and the paid-up capital attributed to the corporation for the year determined in accordance with section 737.18.24 exceeds \$20,000,000;

(b) B is the proportion that the number of days in the year that precede 13 June 2003 is of the number of days in the year; and

(c) C is the proportion that the number of days in the year that follow 12 June 2003 is of the number of days in the year."

133. (1) Section 733.0.7 of the said Act is replaced by the following section:

"733.0.7. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss or limited partnership loss for a taxation year of a corporation that, for that year, is a qualified corporation, within the meaning of the first paragraph of section 737.18.29, where the amount determined under subparagraph *a* of the second paragraph of section 737.18.33 in respect of the corporation for the year exceeds the amount determined under subparagraph *b* of that second paragraph in respect of the corporation for that year, the following rules apply:

(a) 75% of the amount that is the income or portion of the income of the corporation for the year, determined under subparagraph *a* of the second paragraph of section 737.18.33, is deemed to be nil; and

(b) 75% of the amount that is the loss or portion of the loss of the corporation for the year, determined under subparagraph *b* of the second paragraph of section 737.18.33, is deemed to be nil.”

(2) Subsection 1 applies from the taxation year 2000. However, where paragraphs *a* and *b* of section 733.0.7 of the said Act apply

(1) to taxation years that end before 13 June 2003, they shall be read with “75% of” struck out;

(2) to taxation years that end after 12 June 2003 and include that date, they shall be read with the percentage of 75% replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 during which the corporation carries on a recognized business, within the meaning of the first paragraph of section 737.18.29, is of the number of days in the taxation year during which the corporation carries on the recognized business; and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 during which the corporation carries on the recognized business is of the number of days in the taxation year during which the corporation carries on the recognized business.

134. (1) Section 733.0.8 of the said Act is replaced by the following section:

“733.0.8. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss for a taxation year of an individual who, for that year, benefited from the deduction provided for in section 737.18.34, an income realized by the individual during the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment, or a loss sustained by the individual during such a period is deemed to be equal to the product obtained by multiplying the income or loss by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment.”

(2) Subsection 1 has effect from 1 January 2001. However, where section 733.0.8 of the said Act applies before the taxation year 2003, it shall be read as follows:

“733.0.8. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss, restricted farm loss or limited partnership loss for a taxation year of an individual who, for that year, benefited from the

deduction provided for in section 737.18.34, an income realized by the individual during the individual's eligibility period, within the meaning of section 737.18.29, in relation to an employment, or a loss sustained by the individual during such a period is deemed to be nil."

(3) In addition, where section 733.0.8 of the said Act applies to the taxation year 2000, it shall be read with ", restricted farm loss" added after "net capital loss".

135. (1) Section 737.16 of the said Act is replaced by the following section:

"737.16. An individual described in section 66 of the Act respecting international financial centres (chapter C-8.3) who holds employment with a particular corporation or partnership referred to in that section may deduct, in computing the individual's taxable income for a taxation year, the amount determined in respect of the individual for the year, under section 65 of that Act, in relation to that employment."

(2) Subsection 1 applies from 1 January 2001.

136. (1) Section 737.18 of the said Act is replaced by the following section:

"737.18. For the purpose of computing the taxable income of the individual referred to in section 737.16 for a taxation year, the following rules apply:

(a) for the purpose of computing the deduction under section 725.2, the amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48 and that the individual has included in computing income for the year, shall not include the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year;

(b) for the purpose of computing the deduction under section 725.3, the amount that is the benefit the individual is deemed to receive in the year under section 49, as a consequence of the application of section 49.2, in respect of a share acquired by the individual after 22 May 1985 and that the individual has included in computing income for the year, shall not include the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year;

(c) for the purpose of computing the deduction under section 725.4, the individual shall subtract from the amount included by the individual under paragraph *b* of section 218 in computing income for the year in respect of a share the individual has received after 22 May 1985, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act in respect of that employment;

(d) for the purpose of computing the deduction under section 725.5, the individual shall subtract from the amount included by the individual under section 888.1 in computing income for the year, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act in respect of that employment;

(e) for the purpose of computing the deduction under section 725, the individual shall subtract from the amount included by the individual in computing income for the year, and that is an amount described in any of the paragraphs of that section, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act in respect of that employment;

(f) for the purpose of computing the deduction under section 725.1.2, the individual shall subtract from the amount included by the individual in computing income for the year, and that is an amount described in the second paragraph of that section, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act in respect of that employment;

(g) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment, by the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act in respect of that employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the product obtained by multiplying the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment, by the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act in respect of that employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment, by the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act in respect of that employment; and

(*h*) any capital gain realized during the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment, or any capital loss, including any allowable business investment loss, for such a period is, for the purposes of Titles VI.5 and VI.5.1, deemed to be equal to the product obtained by multiplying the capital gain or capital loss by the amount by which 100% exceeds the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act in respect of that employment.”

(2) Subsection 1 applies from 1 January 2001. However, where paragraphs *c* to *h* of section 737.18 of the said Act apply before the taxation year 2003, they shall be read as follows:

“(c) for the purpose of computing the deduction under section 725.4, the amount included by the individual under paragraph *b* of section 218 in computing income for the year in respect of a share the individual has received after 22 May 1985 shall not include the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year;

“(d) for the purpose of computing the deduction under section 725.5, the amount included by the individual under section 888.1 in computing income for the year shall not include the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be

considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year;

“(e) for the purpose of computing the deduction under section 725, the amount included by the individual in computing income for the year, and that is an amount described in any of the paragraphs of that section, shall not include the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year;

“(f) for the purpose of computing the deduction under section 725.1.2, the amount included by the individual in computing income for the year, and that is an amount described in the second paragraph of that section, shall not include the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year;

“(g) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment; and

“(h) any capital gain realized during the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment, or any capital loss, including any allowable business investment loss, for such a period is deemed to be nil for the purposes of Titles VI.5 and VI.5.1.”

137. (1) Section 737.18.6 of the said Act is amended

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

““eligible employer” means a corporation or a partnership that carries on a recognized business;”;

(2) by replacing the definition of “exemption period” by the following definition:

““exemption period” of an individual who is a foreign specialist for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the later of the day on which the individual begins to perform the duties of that employment and 10 March 1999, and that, subject to subparagraph i of subparagraph *a* of the first paragraph of section 737.18.9.2, ends on the earlier of

(*a*) the day preceding the day on which the individual ceases to be a foreign specialist; and

(*b*) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.18.6.2 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual’s taxable income for a taxation year, under section 737.18.10, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.18.6.2 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1;”;

(3) by inserting “or is deemed to have become effective, in accordance with section 737.18.9.1,” after “became effective” in the following provisions of the definition of “base period”:

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

— the portion of paragraph *b* before subparagraph i;

— the portion of paragraph *c* before subparagraph i;

(4) by replacing “and ending” by “and, subject to subparagraph ii of subparagraph *a* of the first paragraph of section 737.18.9.2 and subparagraph *b* of that paragraph, ending” in the following provisions of the definition of “base period”:

- the portion of paragraph *a* before subparagraph i;
- the portion of paragraph *b* before subparagraph i;
- the portion of paragraph *c* before subparagraph i;

(5) by replacing the definition of “foreign specialist” by the following definition:

““foreign specialist” for all or part of a taxation year, means an individual in respect of whom the following conditions are met:

(*a*) at a particular time after 9 March 1999 but before 2 September 2003, the individual takes up employment, as an employee, with an eligible employer under an employment contract that they entered into before 13 June 2003;

(*b*) the individual is not resident in Canada immediately before taking up employment, as an employee, with the eligible employer;

(*c*) from the particular time to the end of the year or the part of the year

i. the individual performs employment duties for the eligible employer exclusively or almost exclusively in the international trade zone,

ii. the individual works exclusively or almost exclusively for the eligible employer, and

iii. the individual’s duties for the eligible employer consist exclusively or almost exclusively in carrying out work relating to activities shown on the certificate issued to the employer in respect of the recognized business carried on by the employer in the international trade zone; and

(*d*) the eligible employer obtained in respect of the individual a certificate issued, for the taxation year, by the Minister of Finance, after having applied therefor in writing before 1 March of the following calendar year, and the certificate, that has not been revoked in respect of the year or the part of the year, and, where applicable, all the unrevoked certificates that were obtained in respect of the individual for preceding taxation years, certify that, from the particular time to the end of the year or the part of the year, the individual is employed by the individual’s employer, in the carrying on of the recognized business by the employer, as an administrator or professional whose expertise is widely recognized in the individual’s community;”;

(6) by adding the following paragraphs:

“Where the certificate referred to in the definition of “foreign specialist” was not issued in respect of an individual for the taxation year that includes the particular day that is the later of the day on which the individual began to perform the duties of an employment the individual holds with an eligible employer and 10 March 1999, the exemption period of the individual in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a certificate has been issued in respect of the individual.

“Where an individual holds employment with an eligible employer on 10 March 1999 under a particular contract, but took up employment, as an employee, with that employer before that date, and the particular contract is not deemed to end under the first or second paragraph of section 737.18.7.2, the definition of “foreign specialist” in the first paragraph shall be read

(a) with paragraphs *a* and *b* replaced by the following paragraphs:

“(a) on 10 March 1999, the individual holds employment with an eligible employer under an employment contract that they entered into before that date;

“(b) the individual is not resident in Canada immediately before 10 March 1999;”;

(b) with “from the particular time” in the portion of paragraph *c* before subparagraph *i* and in paragraph *d* replaced by “from 10 March 1999”.

(2) Paragraphs 1, 2, 5 and 6 of subsection 1 apply from 1 January 2001. However,

(1) where the portion of the definition of “exemption period” in the first paragraph of section 737.18.6 of the said Act before paragraph *a* applies before 12 June 2003, it shall be read with the reference to “, subject to subparagraph *i* of subparagraph *a* of the first paragraph of section 737.18.9.2,” struck out; and

(2) where paragraph *a* of the definition of “foreign specialist” in the first paragraph of section 737.18.6 of the said Act applies before the taxation year 2003, it shall be read as follows:

“(a) at a particular time after 9 March 1999, the individual takes up employment, as an employee, with an eligible employer under an employment contract the individual has entered into with that employer;”.

(3) Paragraph 3 of subsection 1 applies in respect of transfers of all or part of the activities of a recognized business that occur after 19 December 2002.

(4) Paragraph 4 of subsection 1 has effect from 12 June 2003.

138. (1) The said Act is amended by inserting the following section after section 737.18.6.1:

“737.18.6.2. For the purpose of establishing the exemption period of an individual in relation to an employment, a preceding period to which subparagraph i of paragraph *b* of the definition of “exemption period” in the first paragraph of section 737.18.6 and subparagraph 2 of subparagraph ii of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual’s taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed.”

(2) Subsection 1 applies from 1 January 2001.

139. (1) Section 737.18.7 of the said Act is replaced by the following section:

“737.18.7. For the purposes of the definition of “foreign specialist” in the first paragraph of section 737.18.6, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with an eligible employer if

(a) the individual may deduct an amount in computing the individual’s taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition set out in paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.”

(2) Subsection 1 applies from 1 January 2001.

140. (1) The said Act is amended by inserting the following sections after section 737.18.7:

“737.18.7.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign specialist working for the eligible employer if the definition of “foreign specialist” in the first paragraph of section 737.18.6 were read

- i. without reference to paragraph *b* thereof, and
- ii. with the reference to “from the particular time to the end of the year or the part of the year” in the portion of paragraph *c* before subparagraph *i* and in paragraph *d* replaced by a reference to “throughout the year or the part of the year”.

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign specialist working for the eligible employer if the portion of paragraph *c* of the definition of “foreign specialist” in the first paragraph of section 737.18.6 before subparagraph *i* and paragraph *d* of that definition were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”.

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no exemption period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph *ii* of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual’s taxable income for the taxation year in which the individual has entered into the individual’s employment contract or for a preceding taxation year, in relation to a preceding employment,

an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

“737.18.7.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the “original contract”, or a deemed contract within the meaning of subparagraph *a* of the third paragraph, is deemed to end at the time when the individual ceases to be a foreign specialist.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the “original contract”, is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign specialist if this section were read without reference to the first and second paragraphs and the portion of paragraph *c* of the definition of “foreign specialist” in the first paragraph of section 737.18.6 before subparagraph i and paragraph *d* of that definition were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the “deemed contract”, and that contract is deemed to be entered into before 13 June 2003; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before taking up employment, as an employee, with the eligible employer;

(b) has no exemption period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.18.10, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in paragraph *f* of the definition of “foreign specialist” in section 737.18.6, as it read for that preceding taxation year.

Where an individual holds employment with an eligible employer on 10 March 1999 under the original contract, but took up employment, as an employee, with that employer before that date, the following rules apply:

(a) the third paragraph, where it applies for the first time since the original contract is deemed to have ended under the first or second paragraph, shall be read with the reference to “from the particular time” replaced by a reference to “from 10 March 1999”; and

(b) if the second paragraph applies to the original contract, subparagraph *a* of the fourth paragraph shall be read as follows:

“(a) the individual is not resident in Canada immediately before 10 March 1999;”.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

“737.18.7.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of “foreign specialist” in the first paragraph of section 737.18.6 and in this section referred to as the “original contract”, is deemed not to be an employment contract separate from the original contract.

The rule set out in the first paragraph applies, with the necessary modifications, to a new employment contract that is entered into after 12 June 2003 with another eligible employer, who is deemed not to be an employer separate from the eligible employer, in this section referred to as the “first employer”, who entered into the original contract, provided that

- (a) the other eligible employer
 - i. controls directly or indirectly the first employer,
 - ii. is, directly or indirectly, a controlled subsidiary of the first employer, or
 - iii. as a result of a transaction referred to in section 518 or 566, continues to carry on the business of the first employer in the course of which the individual who entered into the original contract performed the individual’s duties as a foreign specialist; and

(b) it may reasonably be considered that, but for the change of employer, the individual who entered into the original contract would have continued to be a foreign specialist working for the first employer until the time when the individual took up employment, as an employee, with the other eligible employer.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.18.7.2.”

(2) Subsection 1 applies from 1 January 2001, except where it enacts section 737.18.7.3 of the said Act, in which case it applies from the taxation year 2003.

141. (1) The said Act is amended by inserting the following sections after section 737.18.9:

“737.18.9.1. For the purposes of this Title, where, at a particular time in a taxation year or fiscal period, a corporation or partnership, in this section referred to as the “transferee entity”, carries on a business in respect of which the Minister of Finance issued a qualification certificate and the business, according to the Minister of Finance, is the continuation of a recognized business or part of a recognized business carried on before that time by a corporation or partnership, in this section referred to as the “transferor entity”, the effective date of the qualification certificate issued to the transferee entity, in relation to the recognized business, is deemed to be the same as the effective date of the qualification certificate issued to the transferor entity, in relation to the recognized business or part of the recognized business.

“737.18.9.2. For the purposes of this Title, where, at any time after 11 June 2003, control of a corporation that carries on at that time a recognized business or is a member of a partnership that carries on at that time a recognized business is acquired by a person or group of persons, otherwise than under the circumstances described in the second paragraph, the following rules apply:

(a) where the recognized business is carried on by the corporation,

i. the exemption period of an individual, in relation to an employment the individual holds with the corporation, is deemed to end immediately before that time, and

ii. the base period applicable to the corporation, in respect of the eligible activities of the recognized business, is deemed to end immediately before that time; and

(b) where the recognized business is carried on by the partnership, the base period applicable to the partnership, in respect of the eligible activities of the recognized business, is deemed, for the purpose of computing the amount that the corporation may deduct under section 737.18.11 for the taxation year in

which the fiscal period of the partnership that includes that time ends and for a subsequent taxation year, to end immediately before that time.

The first paragraph does not apply if acquiring control of the corporation

(a) occurs after 11 June 2003 and before 1 July 2004 where the Minister of Finance certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date;

(b) is by a corporation carrying on at that time a recognized business, or by a group of persons all the members of which are corporations carrying on at that time a recognized business, or

(c) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003.”

(2) Subsection 1, where it enacts section 737.18.9.1 of the said Act, applies in respect of transfers of all or part of the activities of a recognized business that occur after 19 December 2002 and, where it enacts section 737.18.9.2 of the said Act, has effect from 12 June 2003.

142. (1) Section 737.18.10 of the said Act is amended

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

“737.18.10. Subject to the third paragraph, an individual who, for all or part of a taxation year, is a foreign specialist who holds employment with an eligible employer, may deduct, in computing the individual’s taxable income for the year, an amount not greater than the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s exemption period in relation to that employment that is included in the year.”;

(2) by replacing “during the other portion” in the second paragraph by “during another portion”;

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

“An individual may deduct an amount under the first paragraph in computing the individual’s taxable income for a taxation year only if the individual encloses, with the fiscal return the individual is required to file under section 1000 for the year, a copy of the certificate that

(a) was issued to the eligible employer for the year in respect of the individual;

(b) was not revoked in respect of all or part of the year for which the individual is a foreign specialist; and

(c) is referred to in paragraph *d* of the definition of “foreign specialist” in the first paragraph of section 737.18.6.”

(2) Subsection 1 applies from 1 January 2001.

143. (1) Section 737.18.10.1 of the said Act is replaced by the following section:

“737.18.10.1. Where, at a particular time included in an individual’s exemption period in relation to an employment held by the individual with an eligible employer, the individual, who was a foreign specialist for all or part of the taxation year that includes the particular time, acquired a right to a security under an agreement referred to in section 48 and, at a later time after the expiration of the exemption period, the individual is deemed to receive a benefit in a particular taxation year by reason of the application of any of sections 49 and 50 to 52.1 in respect of the security, or the transfer or any other disposition of the rights under the agreement, the following rules apply:

(a) for the purposes of the first paragraph of section 737.18.10, the individual is deemed, for a part of the particular taxation year that includes the later time, to be a foreign specialist who holds that employment with the eligible employer;

(b) for the purposes of the first paragraph of section 737.18.10 and paragraphs *a* and *b* of section 737.18.13 in respect of the amount of the benefit included by the individual in computing the individual’s income for the particular taxation year, the later time is deemed to be an exemption period of the individual in relation to that employment; and

(c) the third paragraph of section 737.18.10 shall be read with “for the year” in subparagraph *a* replaced by “for the taxation year that includes the particular time referred to in the portion of section 737.18.10.1 before paragraph *a*” and without reference to subparagraph *b* thereof.”

(2) Subsection 1 applies from 1 January 2001.

144. (1) Section 737.18.13 of the said Act is replaced by the following section:

“737.18.13. For the purpose of computing the taxable income of an individual referred to in section 737.18.10 for a taxation year, the following rules apply:

(a) for the purpose of computing the deduction under section 725.2, the amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48 and which the individual has included in computing the individual’s income for the year, shall not include the portion of the amount that is included in the part of the individual’s income for the year that may reasonably be considered

to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(b) for the purpose of computing the deduction under section 725.3, the amount that is the benefit the individual is deemed to receive in the year under section 49, as a consequence of the application of section 49.2, in respect of a share acquired by the individual after 22 May 1985 and which the individual has included in computing the individual's income for the year, shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(c) for the purpose of computing the deduction under section 725.4, the amount included by the individual under paragraph *b* of section 218 in computing the individual's income for the year in respect of a share the individual has received after 22 May 1985 shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(d) for the purpose of computing the deduction under section 725.5, the amount included by the individual under section 888.1 in computing the individual's income for the year shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(e) for the purpose of computing the deduction under section 725, the amount included by the individual in computing the individual's income for the year, which is an amount described in any of the paragraphs of that section, shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(f) for the purpose of computing the deduction under section 725.1.2, the amount included by the individual in computing the individual's income for the year, which is an amount described in the second paragraph of that section, shall not include the portion of the amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period in relation to an employment that is included in the year;

(g) where the individual has included in computing the individual's income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction provided for in section 725.6,

i. subtract, from the amount determined in paragraph *a* of section 725.6, the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's exemption period, in relation to an employment,

ii. subtract, from the amount determined in paragraph *b* of section 725.6, the amount of interest, computed pursuant to that paragraph, for the part of the year that is included in the individual's exemption period, in relation to an employment, and

iii. subtract, from the amount determined in paragraph *c* of section 725.6, the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's exemption period, in relation to an employment; and

(*h*) a capital gain realized during the individual's exemption period, in relation to an employment, or a capital loss, including any allowable business investment loss, for such a period is deemed to be nil for the purposes of Titles VI.5 and VI.5.1."

(2) Subsection 1 applies from 1 January 2001.

145. Section 737.18.18 of the said Act is amended by replacing "is employed by" in paragraph *a* of the definition of "qualified salary or wages" in the first paragraph by "works for".

146. (1) Section 737.18.25 of the said Act is amended by replacing subparagraphs i and ii of paragraph *a* by the following subparagraphs:

"i. in respect of a corporation, except a corporation that is an insurer within the meaning assigned by the Act respecting insurance (chapter A-32), its paid-up capital that would be determined for that year in accordance with Book III of Part IV if no reference were made to paragraphs *b.1* and *b.2* of subsection 1 of section 1136, paragraphs *c* to *e* of section 1137, sections 1137.0.0.1, 1138.0.1 and 1138.2.1 to 1138.2.3, paragraph *a* of section 1141.1.1, section 1141.2 to the extent that it refers to sections 57 and 58 of the Act respecting international financial centres (chapter C-8.3), and sections 1141.2.1.1, 1141.2.1.2, 1141.2.4, 1141.3 and 1141.8, and

"ii. in respect of a corporation that is an insurer, within the meaning assigned by the Act respecting insurance, its paid-up capital that would be determined for that year in accordance with Title II of Book III of Part IV if it were a bank, if paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136 and if no reference were made to paragraph *a* of section 1141.1.1, section 1141.2 to the extent that it refers to sections 57 and 58 of the Act respecting international financial centres, and sections 1141.2.1.1, 1141.2.1.2, 1141.2.4, 1141.3 and 1141.8;".

(2) Subsection 1 applies to taxation years that begin after 11 June 2003.

147. (1) Section 737.18.26 of the said Act is amended by replacing the formula provided for in the first paragraph by the following formula:

“ $75\% \times (A - B) \times \{1 - [(C - \$20,000,000) / \$10,000,000]\}$.”

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 737.18.26 of the said Act applies to taxation years that include 12 June 2003, it shall be read

(1) with the formula provided for in the first paragraph replaced by the following formula:

“ $[(A - B) \times C] + \{75\% \times [(A - B) \times D]\} \times [1 - (E / \$10,000,000)]$.”;

(2) with subparagraph *c* of the second paragraph replaced by the following subparagraph:

“(c) C is the proportion that the number of days in the year that precede 13 June 2003 is of the number of days in the year;”;

(3) with the following subparagraphs added after subparagraph *c* of the second paragraph:

“(d) D is the proportion that the number of days in the year that follow 12 June 2003 is of the number of days in the year; and

“(e) E is the amount by which the greater of \$20,000,000 and the paid-up capital attributed to the corporation for the year determined in accordance with section 737.18.24 exceeds \$20,000,000.”

148. (1) Section 737.18.29 of the said Act is amended

(1) by striking out the definition of “qualification certificate” in the first paragraph;

(2) by replacing the definition of “eligibility period” in the first paragraph by the following definition:

““eligibility period” of an individual who is a foreign specialist for all or part of a taxation year, in relation to an employment the individual holds with a qualified corporation, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign specialist; and

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.18.29.1 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.18.34, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.18.29.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a preceding period described in subparagraph 1;”;

(3) by replacing the definition of “foreign specialist” in the first paragraph by the following definition:

““foreign specialist” for all or part of a taxation year means an individual in respect of whom the following conditions are met:

(a) at a particular time after 26 April 2000 but before 1 January 2011, the individual takes up employment, as an employee, with a qualified corporation under an employment contract entered into after 26 April 2000;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the qualified corporation;

(c) the individual works exclusively or almost exclusively for the qualified corporation from the particular time to the end of the year or the part of the year;

(d) the qualified corporation obtained, in respect of the individual, a qualification certificate issued, for the taxation year, by the Minister of Finance, after having applied therefor in writing before 1 March of the following calendar year, and that qualification certificate, that was not revoked in respect of the year or the part of the year, certifies that the employment contract provides for at least 26 hours of work per week for a minimum duration of 40 weeks; and

(e) the qualification certificate referred to in paragraph *d* and, where applicable, all the unrevoked qualification certificates obtained in respect of the individual for preceding taxation years, certify that, from the particular time to the end of the year or the part of the year,

i. the individual's duties for the qualified corporation consist exclusively or almost exclusively in undertaking, supervising or supporting work directly related to eligible activities of a recognized business carried on by the qualified corporation, and

ii. the individual performs the duties in an establishment of the qualified corporation, situated in the territory of Ville de Montréal, where eligible activities of a recognized business carried on by the qualified corporation are carried out, or outside such an establishment, but in connection with the individual's employment at such an establishment;"

(4) by inserting the following paragraph after the first paragraph:

"Where the qualification certificate referred to in paragraph *d* of the definition of "foreign specialist" in the first paragraph was not issued in respect of an individual for the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, the individual's eligibility period in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a qualification certificate was issued in respect of the individual."

(2) Subsection 1 applies from 1 January 2001.

149. (1) The said Act is amended by inserting the following section after section 737.18.29:

"737.18.29.1. For the purpose of establishing the eligibility period of an individual in relation to an employment, a preceding period to which subparagraph *i* of paragraph *b* of the definition of "eligibility period" in the first paragraph of section 737.18.29 and subparagraph 2 of subparagraph *ii* of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed."

(2) Subsection 1 applies from 1 January 2001.

150. (1) Section 737.18.30 of the said Act is replaced by the following section:

"737.18.30. For the purposes of the definition of "foreign specialist" in the first paragraph of section 737.18.29, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with a qualified corporation if

(a) the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition set out in paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20."

(2) Subsection 1 applies from 1 January 2001.

151. (1) The said Act is amended by inserting the following sections after section 737.18.30:

"737.18.30.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with a qualified corporation at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the qualified corporation on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign specialist working for the qualified corporation if the definition of "foreign specialist" in the first paragraph of section 737.18.29 were read

i. without reference to paragraph *b* thereof, and

ii. with the reference to "from the particular time to the end of the year or the part of the year" in paragraph *c* and the portion of paragraph *e* before subparagraph i replaced by a reference to "throughout the year or the part of the year".

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with a qualified corporation at the particular time referred to in subparagraph *b* where

(a) the individual enters into an employment contract with the qualified corporation after 31 December 2000; and

(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign specialist working for the qualified corporation if paragraph *c* of the definition of "foreign specialist" in the first paragraph of section 737.18.29 and the portion of subparagraph *e* of that definition before subparagraph i, were read with the reference to "from the particular time to the end of the year or the part of the year" replaced by a reference to "throughout the year or the part of the year".

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the qualified corporation at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no eligibility period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

“737.18.30.2. For the purposes of this Title, the employment contract that an individual entered into with a qualified corporation, in this section referred to as the “original contract”, or a deemed contract within the meaning of subparagraph *a* of the third paragraph, is deemed to end at the time when the individual ceases to be a foreign specialist.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with a qualified corporation, the employment contract the individual entered into with that corporation, in this section referred to as the “original contract”, is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign specialist if this section were read without reference to the first and second paragraphs and paragraph *c* of the definition of “foreign specialist” in the first paragraph of section 737.18.29 and the portion of paragraph *e* of that definition before subparagraph i were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, the following rules apply:

(a) the individual is deemed to enter into, with the qualified corporation, a new employment contract, in this section referred to as the “deemed contract”, and that contract is deemed to be entered into before 13 June 2003; and

(b) the individual is deemed to take up employment, as an employee, with the qualified corporation at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the qualified corporation;

(b) has no eligibility period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.18.34, or could so deduct such an amount if the qualified corporation had not failed to apply, in respect of the individual, for the qualification certificate referred to in paragraph *d* of the definition of “foreign specialist” in the first paragraph of section 737.18.29, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

“737.18.30.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of “foreign specialist” in the first paragraph of section 737.18.29 is deemed not to be an employment contract separate from the employment contract referred to in that definition.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.18.30.2.”

(2) Subsection 1 applies from 1 January 2001, except where it enacts section 737.18.30.3 of the said Act, in which case it applies from the taxation year 2003.

152. (1) Section 737.18.32 of the said Act is replaced by the following section:

“737.18.32. Where, at a particular time included in an individual’s eligibility period in relation to an employment the individual holds with a qualified corporation, the individual, who was a foreign specialist for all or part of the taxation year that includes the particular time, acquired a right to a security under an agreement referred to in section 48 and, at a later time after the expiration of the eligibility period, the individual is deemed to receive a benefit in a particular taxation year by reason of the application of any of sections 49 and 50 to 52.1 in respect of the security, or the transfer or any other disposition of the rights under the agreement, the following rules apply:

(a) for the purposes of the first paragraph of section 737.18.34, the individual is deemed, for a part of the particular taxation year that includes the later time, to be a foreign specialist who holds that employment with the qualified corporation;

(b) for the purposes of the first and second paragraphs of section 737.18.34 and paragraphs *a* and *b* of section 737.18.35 in respect of the amount of the benefit included by the individual in computing the individual’s income for the particular taxation year, the later time is deemed to be an eligibility period of the individual in relation to that employment; and

(c) the fourth paragraph of section 737.18.34 shall be read with “for the year” in subparagraph *a* replaced by “for the taxation year that includes the particular time referred to in the portion of section 737.18.32 before paragraph *a*” and without reference to subparagraph *b* thereof.”

(2) Subsection 1 applies from 1 January 2001. However, where section 737.18.32 of the said Act applies before the taxation year 2003,

(1) the reference to “the first and second paragraphs” in paragraph *b* thereof shall be read as a reference to “the first paragraph”; and

(2) the reference to “fourth paragraph” in paragraph *c* thereof shall be read as a reference to “third paragraph”.

(3) In addition, where paragraph *b* of section 737.18.32 of the said Act applies before 1 January 2001, the reference therein to “paragraphs *a* and *b*” shall be read as a reference to “paragraphs *c* and *d*”.

153. (1) Section 737.18.33 of the said Act is amended by replacing the portion before the formula provided for in the first paragraph by the following:

“737.18.33. A qualified corporation for a taxation year that encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, may deduct in computing its taxable income for the year, an amount not exceeding 75% of the part of its income for the year that may reasonably be considered to be equal to the amount determined by the formula”.

(2) Subsection 1 applies to taxation years of corporations that end after 12 June 2003. However, where the percentage of 75%, provided for in the portion of the first paragraph of section 737.18.33 of the said Act before the formula, is to be applied to the corporation's income for such a taxation year of the corporation that includes 12 June 2003, from the operations of a recognized business, within the meaning of the first paragraph of section 737.18.29 of the said Act, carried on by the corporation, the percentage of 75% shall be replaced by the total of

(1) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 during which the corporation carries on the recognized business is of the number of days in the taxation year during which the corporation carries on the recognized business; and

(2) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 during which the corporation carries on the recognized business is of the number of days in the taxation year during which the corporation carries on the recognized business.

154. (1) Section 737.18.34 of the said Act is replaced by the following section:

“737.18.34. Subject to the fourth paragraph, an individual who, for all or part of a taxation year, is a foreign specialist holding employment with a qualified corporation, may deduct, in computing the individual's taxable income for the year, an amount not greater than the amount determined by the formula

$$A \times B.$$

In the formula provided for in the first paragraph,

(a) A is

i. 75%, where the individual entered into the individual's employment contract with the qualified corporation after 12 June 2003, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, and

ii. 100%, in any other case; and

(b) B is the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period in relation to that employment that is included in the year.

Where, in a taxation year, the individual is a member of a partnership, the individual's share of the income or loss of the partnership for a fiscal period ended in the year shall, for the purposes of subparagraph *b* of the second

paragraph, be considered to be earned in the part of the year referred to therein if that fiscal period ends in that part of the year, and to be earned in another part of the year if that fiscal period ends in that other part of the year.

An individual may deduct an amount under the first paragraph, in computing the individual's taxable income for a taxation year only if the individual encloses, with the fiscal return the individual is required to file under section 1000 for the year, a copy of the qualification certificate that

(a) has been issued to the qualified corporation for the year in respect of the individual;

(b) has not been revoked in respect of all or part of the year for which the individual is a foreign specialist; and

(c) is referred to in paragraph *d* of the definition of "foreign specialist" in the first paragraph of section 737.18.29."

(2) Subsection 1 applies from 1 January 2001. However, where section 737.18.34 of the said Act applies before the taxation year 2003, it shall be read

(1) with the first and second paragraphs replaced by the following paragraph:

"737.18.34. Subject to the third paragraph, an individual who, for all or part of a taxation year, is a foreign specialist holding employment with a qualified corporation, may deduct, in computing the individual's taxable income for the year, an amount not exceeding the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period in relation to that employment that is included in the year."; and

(2) with the reference to "subparagraph *b* of the second paragraph" in the third paragraph replaced by a reference to "the first paragraph".

(3) In addition, where section 737.18.34 of the said Act applies before 1 January 2001, it shall be read with the following paragraph inserted after the first paragraph:

"Where, in a taxation year, the individual is a member of a partnership, the individual's share of the income or loss of the partnership for a fiscal period ended in the year shall, for the purposes of the first paragraph, be considered to be earned in the part of the year referred to therein if that fiscal period ends in that part of the year, and to be earned in the other part of the year if that fiscal period ends in that other part of the year."

155. (1) Section 737.18.35 of the said Act is replaced by the following section:

“737.18.35. For the purpose of computing the taxable income of an individual referred to in section 737.18.34 for a taxation year, the following rules apply:

(a) for the purpose of computing the deduction under section 725.2, the amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48 and that the individual has included in computing income for the year, shall not include the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period in relation to an employment that is included in the year;

(b) for the purpose of computing the deduction under section 725.3, the amount that is the benefit the individual is deemed to receive in the year under section 49, as a consequence of the application of section 49.2, in respect of a share acquired by the individual after 22 May 1985 and that the individual has included in computing income for the year, shall not include the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period in relation to an employment that is included in the year;

(c) for the purpose of computing the deduction under section 725.4, the individual shall subtract from the amount included by the individual under paragraph *b* of section 218 in computing income for the year in respect of a share the individual has received after 22 May 1985, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period in relation to an employment that is included in the year, by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment;

(d) for the purpose of computing the deduction under section 725.5, the individual shall subtract from the amount included by the individual under section 888.1 in computing income for the year, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period in relation to an employment that is included in the year, by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment;

(e) for the purpose of computing the deduction under section 725, the individual shall subtract from the amount included by the individual in computing income for the year, and that is an amount described in any of the paragraphs of that section, the product obtained by multiplying the portion of

such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period in relation to an employment that is included in the year, by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment;

(*f*) for the purpose of computing the deduction under section 725.1.2, the individual shall subtract from the amount included by the individual in computing income for the year, and that is an amount described in the second paragraph of that section, the product obtained by multiplying the portion of such an amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period in relation to an employment that is included in the year, by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment;

(*g*) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's eligibility period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the product obtained by multiplying the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual's eligibility period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's eligibility period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment; and

(*h*) any capital gain realized during the individual's eligibility period, in relation to an employment, or any capital loss, including any allowable business investment loss, for such a period is, for the purposes of Titles VI.5 and VI.5.1, deemed to be equal to the product obtained by multiplying the capital gain or capital loss by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment.”

(2) Subsection 1 applies from 1 January 2001. However, where paragraphs *c* to *h* of section 737.18.35 of the said Act apply before the taxation year 2003, they shall be read as follows:

“(c) for the purpose of computing the deduction under section 725.4, the amount included by the individual under paragraph *b* of section 218 in computing income for the year in respect of a share the individual has received after 22 May 1985 shall not include the portion of such an amount that is included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period in relation to an employment that is included in the year;

“(d) for the purpose of computing the deduction under section 725.5, the amount included by the individual under section 888.1 in computing income for the year shall not include the portion of such an amount that is included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period in relation to an employment that is included in the year;

“(e) for the purpose of computing the deduction under section 725, the amount included by the individual in computing income for the year, and that is an amount described in any of the paragraphs of that section, shall not include the portion of such an amount that is included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period in relation to an employment that is included in the year;

“(f) for the purpose of computing the deduction under section 725.1.2, the amount included by the individual in computing income for the year, and that is an amount described in the second paragraph of that section, shall not include the portion of such an amount that is included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period in relation to an employment that is included in the year;

“(g) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual’s eligibility period, in relation to an employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual’s eligibility period, in relation to an employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's eligibility period, in relation to an employment; and

“(h) any capital gain realized during the individual's eligibility period, in relation to an employment, or any capital loss, including any allowable business investment loss, for such a period is deemed to be nil for the purposes of Titles VI.5 and VI.5.1.”

156. (1) Section 737.19 of the said Act, amended by section 137 of chapter 29 of the statutes of 2003, is replaced by the following section:

“**737.19.** In this Title,

“eligible employer” means a person or partnership who or which carries on a business in Canada, undertakes or causes to be undertaken, on the person's or the partnership's behalf in Québec, scientific research and experimental development related to a business of the person or partnership and who or which is not

(a) a person exempt from tax under section 984 or 985 or that would be exempt from tax under section 985 but for section 192, or

(b) an eligible university entity within the meaning of paragraph *f* of section 1029.8.1;

“eligible income”, for a taxation year, of an individual who is a foreign researcher at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as wages in the year by that employer to undertake scientific research and experimental development in Québec that may reasonably be attributed to the individual's research activity period in relation to that employment;

“foreign researcher” for all or part of a taxation year, means an individual in respect of whom the following conditions are met:

(a) at a particular time, the individual takes up employment, as an employee, with an eligible employer under an employment contract entered into with that employer;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) from the particular time to the end of the year or the part of the year,

i. the individual works exclusively or almost exclusively for the eligible employer, and

ii. the individual's duties for the eligible employer consist exclusively or almost exclusively in carrying on, as an employee, scientific research and experimental development that cannot reasonably be considered to be scientific research and experimental development activities carried on in an eligible university entity within the meaning of paragraph *f* of section 1029.8.1 or an eligible public research centre within the meaning of paragraph *a.1* of that section; and

(*d*) the eligible employer obtained in respect of the individual from the Minister of Economic and Regional Development and Research, after having applied therefor in writing before 1 March of the calendar year following the taxation year, a certificate, that has not been revoked, certifying that the individual is specialized in the field of pure or applied science or a related field and holds, or possesses knowledge equivalent to the knowledge acquired by the holder of, a Master's degree recognized by a Québec university in such a field;

“research activity period” of an individual who is a foreign researcher for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and ends on the earlier of

(*a*) the day preceding the day on which the individual ceases to be a foreign researcher; and

(*b*) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.19.2 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.21, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.19.2 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1;

“wages” means the income computed under Chapters I and II of Title II of Book III.

Where an individual is not a foreign researcher for any part of the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer because the certificate referred to in the definition of “foreign researcher” in the first paragraph was not obtained in respect of the individual, the individual’s research activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for all or part of which the individual is a foreign researcher.”

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

(3) However, where paragraph *d* of the definition of “foreign researcher” in the first paragraph of section 737.19 of the said Act applies

(1) in respect of certificates issued after 28 April 2003 and before 23 March 2004, the reference therein to “Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Economic and Regional Development”;

(2) in respect of certificates issued before 29 April 2003, the reference therein to “Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Research, Science and Technology”.

157. (1) The said Act is amended by inserting the following section after section 737.19.1:

“737.19.2. For the purpose of establishing the research activity period of an individual in relation to an employment, a period preceding the period to which subparagraph *i* of paragraph *b* of the definition of “research activity period” in the first paragraph of section 737.19 and subparagraph 2 of subparagraph *ii* of that paragraph *b* refer means all or part of a particular period referred to in the second paragraph to which an amount referred to in the third paragraph may reasonably be attributed.

The particular period to which the first paragraph refers is a period that precedes the research activity period and is established in respect of the individual under any of sections 737.18.6, 737.18.29, 737.19, 737.22.0.0.1, 737.22.0.0.5, 737.22.0.1 and 737.22.0.5, or section 69 of the Act respecting international financial centres (chapter C-8.3), or regulations made under the first paragraph of section 737.16, as they read for a taxation year beginning on or before 20 December 1999.

The amount to which the first paragraph refers is an amount that the individual may deduct in computing the individual's taxable income for a taxation year, in relation to a preceding employment, under any of sections 737.16, 737.18.10, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3 and 737.22.0.7."

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

158. (1) Section 737.20 of the said Act is replaced by the following section:

"737.20. For the application of the definition of "foreign researcher" in the first paragraph of section 737.19 to an individual who is resident in Canada immediately before entering into an employment contract with an eligible employer and immediately before taking up employment, as an employee, with that employer, the following rules apply:

(a) the individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with the eligible employer if

i. the individual may deduct an amount in computing the individual's taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, or

ii. the individual would meet the condition set out in subparagraph i if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of sections 737.18.6, 737.18.29, 737.19, 737.22.0.0.1, 737.22.0.0.5, 737.22.0.1 and 737.22.0.5, in section 19 of the Act respecting international financial centres (chapter C-8.3) or in section 737.15, as it read before being repealed; and

(b) a certificate referred to in paragraph *d* of the definition of "foreign researcher" in the first paragraph of section 737.19 that has been issued in respect of the individual, in relation to a preceding employment contract entered into with any eligible employer, is deemed to be issued to the eligible employer, in relation to an employment contract, if it has not been revoked."

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

159. (1) The said Act is amended by inserting the following sections after section 737.20:

“737.20.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign researcher working for the eligible employer if the definition of “foreign researcher” in the first paragraph of section 737.19 were read

- i. without reference to paragraph *b* thereof, and
- ii. with the reference to “from the particular time to the end of the year or the part of the year” in the portion of paragraph *c* before subparagraph *i* replaced by a reference to “throughout the year or the part of the year”.

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign researcher working for the eligible employer if the portion of paragraph *c* of the definition of “foreign researcher” in the first paragraph of section 737.19 before subparagraph *i* were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”.

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no research activity period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

“737.20.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the “original contract”, or a deemed contract, is deemed to end at the time when the individual ceases to be a foreign researcher.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the “original contract”, is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign researcher if this section were read without reference to the first and second paragraphs and the portion of paragraph *c* of the definition of “foreign researcher” in the first paragraph of section 737.19 before subparagraph i were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the “deemed contract”, and that contract is deemed to be entered into before 13 June 2003; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(b) has no research activity period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.21, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in the definition of "foreign researcher" in section 737.19, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

"737.20.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of "foreign researcher" in the first paragraph of section 737.19 is deemed not to be an employment contract separate from the employment contract referred to in that definition.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.20.2."

(2) Subsection 1, where it enacts sections 737.20.1 and 737.20.2 of the said Act, applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

(3) Subsection 1, where it enacts section 737.20.3 of the said Act, applies from the taxation year 2003.

160. (1) Section 737.21 of the said Act is replaced by the following section:

“**737.21.** An individual who, at any time, holds employment, as a foreign researcher, with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the amount determined by the formula

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

In the formula provided for in the first paragraph,

(a) A is

i. 75%, where the individual entered into the individual’s employment contract with the eligible employer after 12 June 2003, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, and

ii. 100%, in any other case;

(b) B is the individual’s eligible income for the year, in relation to that employment, that the eligible employer certified in prescribed manner; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign researcher during the individual’s research activity period in relation to that employment.”

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

(3) However, where section 737.21 of the said Act, enacted by subsection 1, applies before the taxation year 2003, it shall be read as follows:

“**737.21.** An individual who, at any time, holds employment, as a foreign researcher, with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the amount by which the individual’s eligible income for the year, in relation to that employment, that the eligible employer certified in prescribed manner exceeds the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign researcher during the individual’s research activity period in relation to that employment.”

161. (1) Section 737.22 of the said Act is replaced by the following section:

“737.22. For the purpose of computing the taxable income of an individual referred to in section 737.21 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.21 in respect of that employment;

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.21 in respect of that employment; and

(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's

research activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.21 in respect of that employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the product obtained by multiplying the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual's research activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.21 in respect of that employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's research activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.21 in respect of that employment.”

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

(3) However, where section 737.22 of the said Act, enacted by subsection 1, applies before the taxation year 2003, it shall be read

(1) with paragraphs *c* to *e* replaced by the following paragraphs:

“(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be nil;

“(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be nil;

“(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the portion of that amount that may reasonably be attributed to a part of the year that is included in the individual's research activity period, in relation to an employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual's research activity period, in relation to an employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's research activity period, in relation to an employment;"

(2) with the following paragraphs added after paragraph *e*:

"(f) where the individual has included in computing income for the year an amount received by the individual under a registered gain-sharing plan that is part of a quality approach, within the meaning of section 725.8, of a corporation and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under section 725.9, deemed to be nil;

"(g) where the individual has included in computing income for the year an amount received or the value of a benefit received or enjoyed by the individual and such amount or such value is both described in subparagraph *a* of the first paragraph of section 726.22 and included in the individual's eligible income for the year, in relation to an employment, the amount or value, as the case may be, is, for the purpose of computing the deduction under section 726.21, deemed to be nil; and

"(h) where the individual is a taxpayer to whom section 726.21 applies, the individual shall, for the purpose of computing the deduction under that section, subtract from the number of days referred to in subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.22, each of the days that is included in the individual's research activity period, in relation to an employment."

162. (1) Section 737.22.0.0.1 of the said Act is amended

(1) by replacing the definition of "foreign researcher on a post-doctoral internship" by the following definition:

"“foreign researcher on a post-doctoral internship” for all or part of a taxation year, means an individual in respect of whom the following conditions are met:

(a) at a particular time after 31 March 1998, the individual takes up employment, as an employee, with an eligible employer under an employment contract entered into with that employer after that date;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) from the particular time to the end of the year or the part of the year,

i. the individual works exclusively or almost exclusively for the eligible employer, and

ii. the individual's duties for the eligible employer consist exclusively or almost exclusively in carrying on, as an employee, scientific research and experimental development;

(d) the eligible employer obtained, in respect of the individual, a certificate, for the taxation year, issued by the Minister of Education, after having applied therefor in writing before 1 March of the following calendar year, and that certificate, that has not been revoked in respect of the year or the part of the year, certifies that the individual is specialized in the field of pure or applied science or a related field and holds a doctoral degree; and

(e) the certificate referred to in paragraph *d* and, where applicable, all the unrevoked certificates obtained in respect of the individual for preceding taxation years, also certify that, from the particular time to the end of the year or the part of the year, the individual performed, exclusively or almost exclusively, the individual's duties as a researcher in connection with a post-doctoral internship for the employer;";

(2) by replacing the definition of "research activity period" by the following definition:

"research activity period" of an individual who is a foreign researcher on a post-doctoral internship for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign researcher on a post-doctoral internship; and

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.22.0.0.1.1 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.22.0.0.3, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.22.0.0.1.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1;"

(3) by replacing the definition of "eligible income" by the following definition:

"eligible income", for a taxation year, of an individual who is a foreign researcher on a post-doctoral internship at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as wages in the year by that employer and that may reasonably be attributed to the individual's research activity period in relation to that employment;"

(4) by adding the following paragraph:

"Where the certificate referred to in paragraph *d* of the definition of "foreign researcher on a post-doctoral internship" in the first paragraph was not issued in respect of an individual for the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, the individual's research activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a certificate was issued in respect of the individual."

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

(3) However,

(1) where the definition of "foreign researcher on a post-doctoral internship" in the first paragraph of section 737.22.0.0.1 of the said Act applies

(a) before the taxation year 2003, it shall be read without reference to paragraph *e* thereof and with paragraph *d* replaced by the following paragraph:

“(d) the eligible employer obtained in respect of the individual from the Minister of Education, after having applied therefor in writing before 1 March of the calendar year following the taxation year, a certificate, that has not been revoked, certifying that the individual is specialized in the field of pure or applied science or a related field and holds a doctoral degree in such a field;”, or

(b) after 31 December 2002, but in respect of an individual who took up employment, as an employee, with the eligible employer before 1 January 2003, the reference to “from the particular time” in paragraph *e* shall be read as a reference to “from 1 January 2003”; and

(2) where the second paragraph of section 737.22.0.0.1 of the said Act applies before the taxation year 2003 or after 31 December 2002, but in respect of an individual who took up employment, as an employee, with the eligible employer before 1 January 2003, it shall be read as follows:

“Where an individual is not a foreign researcher on a post-doctoral internship for any part of the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, because the certificate referred to in the definition of “foreign researcher on a post-doctoral internship” in the first paragraph was not obtained in respect of the individual, the individual’s research activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for all or part of which the individual is a foreign researcher on a post-doctoral internship.”

163. (1) The said Act is amended by inserting the following section after section 737.22.0.0.1:

“737.22.0.0.1.1. For the purpose of establishing the research activity period of an individual in relation to an employment, a preceding period to which subparagraph *i* of paragraph *b* of the definition of “research activity period” in the first paragraph of section 737.22.0.0.1 and subparagraph 2 of subparagraph *ii* of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual’s taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed.”

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

164. (1) Section 737.22.0.0.2 of the said Act is replaced by the following section:

“737.22.0.0.2. For the purposes of the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with an eligible employer if

(a) the individual may deduct an amount in computing the individual’s taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition set out in paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.”

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

(3) However, where section 737.22.0.0.2 of the said Act applies before the taxation year 2003, it shall be read as follows:

“737.22.0.0.2. For the application of the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1, to an individual who is resident in Canada immediately before entering into an employment contract with an eligible employer and immediately before taking up employment, as an employee, with that employer, the following rules apply:

(a) the individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with the eligible employer if

i. the individual may deduct an amount in computing the individual’s taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, or

ii. the individual would meet the condition set out in subparagraph i if an eligible employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20; and

(*b*) a certificate referred to in paragraph *d* of the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1 that has been issued in respect of the individual, in relation to a preceding employment contract entered into with any eligible employer, is deemed issued to the eligible employer in relation to the employment contract, if it has not been revoked.”

165. (1) The said Act is amended by inserting the following sections after section 737.22.0.0.2:

“737.22.0.0.2.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(*a*) the individual holds employment with the eligible employer on 1 January 2001; and

(*b*) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign researcher on a post-doctoral internship working for the eligible employer if the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1 were read

i. without reference to paragraph *b* thereof, and

ii. with the reference to “from the particular time to the end of the year or the part of the year” in the portion of paragraph *c* before subparagraph i and paragraph *e* replaced by a reference to “throughout the year or the part of the year”.

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(*a*) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(*b*) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign researcher on a post-doctoral internship working for the eligible employer if the portion of paragraph *c* of the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1 before subparagraph i and paragraph *e* of that definition were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”.

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no research activity period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

“737.22.0.0.2.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the “original contract”, or a deemed contract, is deemed to end at the time when the individual ceases to be a foreign researcher on a post-doctoral internship.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the “original contract”, is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign researcher on a post-doctoral internship if this section were read without reference to the first and second paragraphs and the portion of paragraph *c* of the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1 before subparagraph *i* and paragraph *e* of that definition were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the “deemed contract”, and that contract is deemed to be entered into before 13 June 2003; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(b) has no research activity period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.22.0.0.3, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in the definition of “foreign researcher on a post-doctoral internship” in section 737.22.0.0.1, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

“737.22.0.0.2.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1 is deemed not to be an employment contract separate from the employment contract referred to in that definition.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.22.0.0.2.2.”

(2) Subsection 1, where it enacts sections 737.22.0.0.2.1 and 737.22.0.0.2.2 of the said Act, applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

(3) Subsection 1, where it enacts section 737.22.0.0.2.3 of the said Act, applies from the taxation year 2003.

(4) However, where sections 737.22.0.0.2.1 and 737.22.0.0.2.2 of the said Act apply

(1) before the taxation year 2003,

(a) subparagraph ii of subparagraph *b* of the first paragraph of section 737.22.0.0.2.1 shall be read without reference to “and paragraph *e*”, and

(b) subparagraph *b* of the second paragraph of section 737.22.0.0.2.1 and the portion of the third paragraph of section 737.22.0.0.2.2 before subparagraph *a* shall be read with the reference to “and paragraph *e* of that definition were read” replaced by a reference to “were read”;

(2) after 31 December 2002, but in respect of an individual who took up employment, as an employee, with the eligible employer before 1 January 2003,

(a) subparagraph *b* of the first paragraph of section 737.22.0.0.2.1 shall be read with the reference to “and paragraph *e*” in subparagraph ii struck out and with the following subparagraph added after subparagraph ii:

“iii. with the reference to “from 1 January 2003 to the end of the year or the part of the year” in paragraph *e* replaced by a reference to “throughout the year or the part of the year”.”,

(b) subparagraph *b* of the second paragraph of section 737.22.0.0.2.1 shall be read as follows:

“(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign researcher on a post-doctoral internship working for the eligible employer if the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1 were read

i. with the reference to “from the particular time to the end of the year or the part of the year” in the portion of paragraph *c* before subparagraph i replaced by a reference to “throughout the year or the part of the year”, and

ii. with the reference to “from 1 January 2003 to the end of the year or the part of the year” in paragraph *e* replaced by a reference to “throughout the year or the part of the year”.”, and

(c) the portion of the third paragraph of section 737.22.0.0.2.2 before subparagraph *a* shall be read as follows:

“In addition, where at a particular time an individual would again become a foreign researcher on a post-doctoral internship if this section were read without reference to the first and second paragraphs, if the portion of paragraph *c* of the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1 before subparagraph *i* and paragraph *e* of that definition were read with the reference to “from the particular time to the end of the year or the part of the year” or the reference to “from 1 January 2003 to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, the following rules apply:”.

166. (1) Section 737.22.0.0.3 of the said Act is replaced by the following section:

“737.22.0.0.3. An individual who, at any time, holds employment, as a foreign researcher on a post-doctoral internship, with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the amount determined by the formula

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

In the formula provided for in the first paragraph,

(a) *A* is

i. 75%, where the individual entered into the individual’s employment contract with the eligible employer after 12 June 2003, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, and

ii. 100%, in any other case;

(b) *B* is the individual’s eligible income for the year, in relation to that employment, that the eligible employer certified in prescribed manner; and

(c) *C* is the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign researcher on a post-doctoral internship during the individual’s research activity period in relation to that employment.”

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

(3) However, where section 737.22.0.0.3 of the said Act, enacted by subsection 1, applies before the taxation year 2003, it shall be read as follows:

“737.22.0.0.3. An individual who, at any time, holds employment, as a foreign researcher on a post-doctoral internship, with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the amount by which the individual’s eligible income for the year, in relation to that employment, that the eligible employer certified in prescribed manner exceeds the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign researcher on a post-doctoral internship during the individual’s research activity period in relation to that employment.”

167. (1) Section 737.22.0.0.4 of the said Act is replaced by the following section:

“737.22.0.0.4. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.0.3 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48 and the amount of the benefit is included in the individual’s eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual’s eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual’s eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.3 in respect of that employment;

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.3 in respect of that employment; and

(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's research activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.3 in respect of that employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the product obtained by multiplying the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual's research activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.3 in respect of that employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's research activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.3 in respect of that employment.”

(2) Subsection 1 applies from 1 January 2001 in respect of an individual

(1) who takes up employment for the first time after 9 March 1999 with an eligible employer under an employment contract entered into after that date; or

(2) whose research activity period was running at any time in the year 1999.

(3) However, where section 737.22.0.0.4 of the said Act applies before the taxation year 2003, it shall be read

(1) with paragraphs *c* to *e* replaced by the following paragraphs:

“(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual’s eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be nil;

“(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual’s eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be nil;

“(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the portion of that amount that may reasonably be attributed to a part of the year that is included in the individual’s research activity period, in relation to an employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual’s research activity period, in relation to an employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual’s research activity period, in relation to an employment;”;

(2) with the following paragraphs added after paragraph *e*:

“(f) where the individual has included in computing income for the year an amount received by the individual under a registered gain-sharing plan that is part of a quality approach, within the meaning of section 725.8, of a corporation and the amount is included in the individual’s eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under section 725.9, deemed to be nil;

“(g) where the individual has included in computing income for the year an amount received or the value of a benefit received or enjoyed by the individual and such amount or such value is both described in subparagraph *a* of the first paragraph of section 726.22 and included in the individual’s eligible income for the year, in relation to an employment, the amount or value, as the case may be, is, for the purpose of computing the deduction under section 726.21, deemed to be nil; and

“(h) where the individual is a taxpayer to whom section 726.21 applies, the individual shall, for the purpose of computing the deduction under that section, subtract from the number of days referred to in subparagraphs 1 and 2 of subparagraph ii of subparagraph b of the first paragraph of section 726.22, each of the days that is included in the individual’s research activity period, in relation to an employment.”

168. (1) Section 737.22.0.0.5 of the said Act, amended by section 137 of chapter 29 of the statutes of 2003, is again amended

(1) by replacing “une personne ou société de personnes” and “de la personne ou société de personnes” in the French text of the definition of “employeur admissible” by “une personne ou une société de personnes” and “de la personne ou de la société de personnes”, respectively;

(2) by replacing the definition of “foreign expert” by the following definition:

““foreign expert” for all or part of a taxation year means an individual in respect of whom the following conditions are met:

(a) at a particular time after 9 March 1999, the individual takes up employment, as an employee, with an eligible employer under an employment contract entered into with the eligible employer after that date;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) from the particular time to the end of the year or the part of the year,

i. the individual works exclusively or almost exclusively for the eligible employer, and

ii. the individual performs duties as an employee of the eligible employer exclusively or almost exclusively as part of a scientific research and experimental development project, whether before, during or after the carrying out of the project; and

(d) the eligible employer obtained in respect of the individual from the Minister of Economic and Regional Development and Research, after having applied therefor in writing before 1 March of the calendar year following the taxation year, a certificate, that has not been revoked, certifying that the individual is specialized in the management or financing of innovative activities or in the foreign marketing or the transfer of advanced technologies;”;

(3) by replacing the definition of “eligible activity period” by the following definition:

““eligible activity period” of an individual who is a foreign expert for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and that ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign expert; and

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.22.0.0.5.1 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual’s taxable income for a taxation year, under section 737.22.0.0.7, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.22.0.0.5.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1;”;

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

““eligible income”, for a taxation year, of an individual who is a foreign expert at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as wages in the year by that employer and that may reasonably be attributed to the foreign expert’s eligible activity period in relation to that employment;”;

(5) by adding the following paragraph:

“Where an individual is not a foreign expert for any part of the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, because the certificate referred to in the definition of “foreign expert” in the first paragraph was not obtained in respect of the individual, the individual’s eligible activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for all or part of which the individual is a foreign expert.”

(2) Subsection 1 applies from 1 January 2001. However, where paragraph *d* of the definition of “foreign expert” in the first paragraph of section 737.22.0.0.5 of the said Act applies,

(1) in respect of certificates issued after 28 April 2003 and before 23 March 2004, the reference therein to “Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Economic and Regional Development”; and

(2) in respect of certificates issued before 29 April 2003, the reference therein to “Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Research, Science and Technology”.

169. (1) The said Act is amended by inserting the following section after section 737.22.0.0.5:

“737.22.0.0.5.1. For the purpose of establishing the eligible activity period of an individual in relation to an employment, a preceding period to which subparagraph *i* of paragraph *b* of the definition of “eligible activity period” in the first paragraph of section 737.22.0.0.5 and subparagraph 2 of subparagraph *ii* of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual’s taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed.”

(2) Subsection 1 applies from 1 January 2001.

170. (1) Section 737.22.0.0.6 of the said Act is replaced by the following section:

“737.22.0.0.6. For the application of the definition of “foreign expert” in the first paragraph of section 737.22.0.0.5, to an individual who is resident in Canada immediately before entering into an employment contract with an eligible employer and immediately before taking up employment, as an employee, with that employer, the following rules apply:

(*a*) the individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with the eligible employer if

i. the individual may deduct an amount in computing the individual’s taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

ii. the individual would meet the condition set out in subparagraph *i* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph *ii* of paragraph *a* of section 737.20; and

(*b*) a certificate referred to in paragraph *d* of the definition of “foreign expert” in the first paragraph of section 737.22.0.0.5 that has been issued in respect of the individual, in relation to a preceding employment contract entered into with any eligible employer, is deemed issued to the eligible employer in relation to the employment contract, if it has not been revoked.”

(2) Subsection 1 applies from 1 January 2001.

171. (1) The said Act is amended by inserting the following sections after section 737.22.0.0.6:

“737.22.0.0.6.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(*a*) the individual holds employment with the eligible employer on 1 January 2001; and

(*b*) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign expert working for the eligible employer if the definition of “foreign expert” in the first paragraph of section 737.22.0.0.5 were read

i. without reference to paragraph *b* thereof, and

ii. with the reference to “from the particular time to the end of the year or the part of the year” in the portion of paragraph *c* before subparagraph *i* replaced by a reference to “throughout the year or the part of the year”.

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(*a*) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(*b*) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign expert working for the eligible employer if the portion of paragraph *c* of the definition of “foreign expert” in the first paragraph of section 737.22.0.0.5 before subparagraph *i* were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”.

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(a) has no eligible activity period that is running on 1 January 2001 in relation to that employment; and

(b) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual's taxable income for the taxation year in which the individual has entered into the individual's employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

“737.22.0.0.6.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the “original contract”, or a deemed contract, is deemed to end at the time when the individual ceases to be a foreign expert.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the “original contract”, is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign expert if this section were read without reference to the first and second paragraphs and the portion of paragraph *c* of the definition of “foreign expert” in the first paragraph of section 737.22.0.0.5 before subparagraph *i* were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the “deemed contract”, and that contract is deemed to be entered into before 13 June 2003; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(b) has no eligible activity period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual's taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.22.0.0.7, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in the definition of "foreign expert" in section 737.22.0.0.5, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

“737.22.0.0.6.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of "foreign expert" in the first paragraph of section 737.22.0.0.5 is deemed not to be an employment contract separate from the employment contract referred to in that definition.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.22.0.0.6.2.”

(2) Subsection 1 applies from 1 January 2001, except where it enacts section 737.22.0.0.6.3 of the said Act, in which case it applies from the taxation year 2003.

172. (1) Section 737.22.0.0.7 of the said Act is replaced by the following section:

“737.22.0.0.7. An individual who, at any time, holds employment, as a foreign expert, with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the amount determined by the formula

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

In the formula provided for in the first paragraph,

(a) A is

i. 75%, where the individual entered into the individual's employment contract with the eligible employer after 12 June 2003, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, and

ii. 100%, in any other case;

(b) B is the individual's eligible income for the year, in relation to that employment, that the eligible employer certified in prescribed manner; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign expert during the individual's eligible activity period in relation to that employment."

(2) Subsection 1 applies from 1 January 2001. However, where section 737.22.0.0.7 of the said Act, enacted by subsection 1, applies before the taxation year 2003, it shall be read as follows:

“737.22.0.0.7. An individual who, at any time, holds employment, as a foreign expert, with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the amount by which the individual's eligible income for the year, in relation to that employment, that the eligible employer certified in prescribed manner exceeds the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign expert during the individual's eligible activity period in relation to that employment.”

173. (1) Section 737.22.0.0.8 of the said Act is replaced by the following section:

“737.22.0.0.8. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.0.7 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48 and the amount of the benefit is included in the individual's eligible income

for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.7 in respect of that employment;

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.7 in respect of that employment; and

(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's eligible activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.7 in respect of that employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the product obtained by multiplying the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual's eligible activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.7 in respect of that employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's eligible activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.0.7 in respect of that employment.”

(2) Subsection 1 applies from 1 January 2001. However, where section 737.22.0.0.8 of the said Act applies before the taxation year 2003, it shall be read

(1) with paragraphs *c* to *e* replaced by the following paragraphs:

“(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be nil;

“(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be nil;

“(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the portion of that amount that may reasonably be attributed to a part of the year that is included in the individual's eligible activity period, in relation to an employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual's eligible activity period, in relation to an employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's eligible activity period, in relation to an employment;”;

(2) with the following paragraphs added after paragraph *e*:

“(f) where the individual has included in computing income for the year an amount received by the individual under a registered gain-sharing plan that is part of a quality approach, within the meaning of section 725.8, of a corporation and the amount is included in the individual’s eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under section 725.9, deemed to be nil;

“(g) where the individual has included in computing income for the year an amount received or the value of a benefit received or enjoyed by the individual and such amount or such value is both described in subparagraph *a* of the first paragraph of section 726.22 and included in the individual’s eligible income for the year, in relation to an employment, the amount or value, as the case may be, is, for the purpose of computing the deduction under section 726.21, deemed to be nil; and

“(h) where the individual is a taxpayer to whom section 726.21 applies, the individual shall, for the purpose of computing the deduction under that section, subtract from the number of days referred to in subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.22, each of the days that is included in the individual’s eligible activity period, in relation to an employment.”

174. (1) Section 737.22.0.1 of the said Act is amended

(1) by replacing “of that expression” in subparagraphs i and ii of paragraph *a* and in paragraph *b* of the definition of “eligible activity” by “of “eligible employer””;

(2) by adding the following paragraph after paragraph *c* of the definition of “eligible activity”:

“(d) an activity of a recognized business of the eligible employer for that year within the meaning of the first paragraph of section 1029.8.36.72.56 that is a recognized business described

i. in paragraph *a* of the definition of “recognized business” in that first paragraph, if the eligible employer is a corporation described in paragraph *i* of the definition of “eligible employer”, or

ii. in paragraph *b* of the definition of “recognized business” in that first paragraph, if the eligible employer is a corporation described in paragraph *j* of the definition of “eligible employer”;

(3) by adding the following paragraphs after paragraph *h* of the definition of “eligible employer”:

“(i) a qualified corporation, for the calendar year ending in the taxation year, within the meaning of the first paragraph of section 1029.8.36.72.56 that, in the taxation year, carries on a recognized business, within the meaning

of that paragraph, that is described in paragraph *a* of the definition of “recognized business” in that first paragraph; or

“(j) a qualified corporation, for the calendar year ending in the taxation year, within the meaning of the first paragraph of section 1029.8.36.72.56 that, in the taxation year, carries on a recognized business, within the meaning of that paragraph, that is described in paragraph *b* of the definition of “recognized business” in that first paragraph;”;

(4) by replacing the definition of “specialized activity period” by the following definition:

““specialized activity period” of an individual who is a foreign specialist for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign specialist; and

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.22.0.1.1 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual’s taxable income for a taxation year, under section 737.22.0.3, in relation to a preceding employment, may reasonably be attributed; or

(2) a preceding period within the meaning of section 737.22.0.1.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1;”;

(5) by replacing “in paragraph *g* or *h*” in paragraph *h* of the definition of “hiring period” by “in any of paragraphs *g* to *j*”;

(6) by replacing the definition of “eligible income” by the following definition:

““eligible income”, for a taxation year, of an individual who is a foreign specialist at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as wages in the year by that employer and that may reasonably be attributed to the foreign specialist’s specialized activity period in relation to that employment;”;

(7) by replacing “at any time in a taxation year” in the portion of the definition of “foreign specialist” before paragraph *a* by “for all or part of a taxation year”;

(8) by replacing “the individual took up employment with” in paragraph *a.1* of the definition of “foreign specialist” by “the individual took up employment, as an employee, with”;

(9) by replacing paragraph *c* of the definition of “foreign specialist” by the following paragraph:

“(c) the individual works exclusively or almost exclusively for the eligible employer from the particular time to the end of the year or the part of the year; and”;

(10) by replacing the portion of paragraph *d* of the definition of “foreign specialist” before subparagraph *i* by the following:

“(d) the eligible employer obtained in respect of the individual a certificate issued, for the taxation year, by Investissement Québec, after having made the application therefor in writing before 1 March of the following calendar year, and the certificate, that has not been revoked in respect of the year or the part of the year, and, where applicable, all the unrevoked certificates that were obtained in respect of the individual for preceding taxation years, certify that, from the particular time to the end of the year or the part of the year, the individual’s duties as an employee of the eligible employer consist exclusively or almost exclusively in carrying on”;

(11) by replacing “paragraph *f*” in subparagraph *iii.2* of paragraph *d* of the definition of “foreign specialist” and in subparagraph 2 of subparagraph *iv* of that paragraph *d* by “in any of paragraphs *f*, *i* and *j*”;

(12) by adding the following paragraph after paragraph *d* of the definition of “foreign specialist”:

“(e) where the eligible employer is a corporation described in any of paragraphs *d* to *j* of the definition of “eligible employer”, the certificates referred to in paragraph *d* of this definition also certify that the individual’s duties for the individual’s employer are, from the particular time to the end of the year or the part of the year, exclusively or almost exclusively attributable to eligible activities of the individual’s employer;”;

(13) by adding the following paragraph:

“Where the certificate referred to in paragraph *d* of the definition of “foreign specialist” in the first paragraph was not issued in respect of an individual for the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, the specialized activity period of the individual in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a certificate has been issued in respect of the individual.”

(2) Paragraphs 1, 4, 6, 7, 9, 10 and 13 of subsection 1 apply from 1 January 2001. However,

(1) where paragraph *c* of the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 of the said Act applies

(a) to the taxation year 2001, it shall be read as follows:

“(c) the individual works exclusively or almost exclusively for the eligible employer from the particular time to the end of the year or the part of the year and, where the eligible employer is a corporation described in any of paragraphs *b* to *f* of the definition of “eligible employer”, the individual’s duties for the eligible employer are, from the particular time to the end of the year or the part of the year, exclusively or almost exclusively attributable to eligible activities of that employer; and”,

(b) to the taxation year 2002, it shall be read as follows:

“(c) the individual works exclusively or almost exclusively for the eligible employer from the particular time to the end of the year or the part of the year and, where the eligible employer is a corporation described in any of paragraphs *b* to *j* of the definition of “eligible employer”, the individual’s duties for the eligible employer are, from the particular time to the end of the year or the part of the year, exclusively or almost exclusively attributable to eligible activities of that employer; and”, and

(c) after 31 December 2002, but in respect of an individual who took up employment, as an employee, with the eligible employer before 1 January 2003, it shall be read as follows:

“(c) the individual works exclusively or almost exclusively for the eligible employer from the particular time to the end of the year or the part of the year and, where the eligible employer is a corporation described in any of paragraphs *d* to *j* of the definition of “eligible employer”, the individual’s duties for the eligible employer are, from the particular time to 31 December 2002, exclusively or almost exclusively attributable to eligible activities of that employer; and”; and

(2) where the portion of paragraph *d* of the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 of the said Act before subparagraph *i* applies in respect of a certificate issued

(a) before 20 March 2002, it shall be read as follows:

“(d) the eligible employer obtained in respect of the individual a certificate issued, for the taxation year, by Investissement Québec or, where the eligible employer is a corporation described in paragraph *e* of the definition of “eligible employer”, by the Minister of Finance, after having made the application therefor in writing before 1 March of the following calendar year, and the certificate, that has not been revoked in respect of the year or the part of the year, and, where applicable, all the unrevoked certificates that were obtained in respect of the individual for preceding taxation years, certify that, from the particular time to the end of the year or the part of the year, the individual’s duties as an employee of the eligible employer consist exclusively or almost exclusively in carrying on”, and

(b) between 19 March 2002 and 1 April 2003, it shall be read as follows:

“(d) the eligible employer obtained in respect of the individual a certificate issued, for the taxation year, by Investissement Québec or, where the eligible employer is a corporation described in paragraph *e* or *g* of the definition of “eligible employer”, by the Minister of Finance, after having made the application therefor in writing before 1 March of the following calendar year, and the certificate, that has not been revoked in respect of the year or the part of the year, and, where applicable, all the unrevoked certificates that were obtained in respect of the individual for preceding taxation years, certify that, from the particular time to the end of the year or the part of the year, the individual’s duties as an employee of the eligible employer consist exclusively or almost exclusively in carrying on”.

(3) Paragraphs 2, 3 and 5 of subsection 1 apply from the taxation year 2002.

(4) Paragraphs 8 and 12 of subsection 1 apply from the taxation year 2003. However, where paragraph *e* of the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 of the said Act applies in respect of an individual who took up employment, as an employee, with the eligible employer before 1 January 2003, the reference therein to “from the particular time” shall be read as a reference to “from 1 January 2003”.

(5) Paragraph 11 of subsection 1 applies in respect of certificates issued after 19 March 2002.

(6) In addition, where the portion of paragraph *d* of the definition of “foreign specialist” in section 737.22.0.1 of the said Act before subparagraph *i* applies after 31 March 2000 and before 1 January 2001, it shall be read with the reference to “au plus tardif” in the French text replaced by a reference to “au plus tard au dernier en date”.

175. (1) The said Act is amended by inserting the following section after section 737.22.0.1:

“737.22.0.1.1. For the purpose of establishing the specialized activity period of an individual in relation to an employment, a preceding period to which subparagraph i of paragraph *b* of the definition of “specialized activity period” in the first paragraph of section 737.22.0.1 and subparagraph 2 of subparagraph ii of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual’s taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may reasonably be attributed.”

(2) Subsection 1 applies from 1 January 2001.

176. (1) Section 737.22.0.2 of the said Act is replaced by the following section:

“737.22.0.2. For the purposes of the definition of “foreign specialist” in the first paragraph of section 737.22.0.1, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with an eligible employer if

(a) the individual may deduct an amount in computing the individual’s taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition set out in paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.”

(2) Subsection 1 applies from 1 January 2001.

177. (1) The said Act is amended by inserting the following sections after section 737.22.0.2:

“737.22.0.2.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign specialist working for the eligible employer if the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 were read

i. without reference to paragraph *b* thereof, and

ii. with the reference to “from the particular time to the end of the year or the part of the year” in paragraphs *c* to *e* replaced by a reference to “throughout the year or the part of the year”.

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(*a*) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(*b*) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign specialist working for the eligible employer if paragraphs *c* to *e* of the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”.

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(*a*) has no specialized activity period that is running on 1 January 2001 in relation to that employment; and

(*b*) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual’s taxable income for the taxation year in which the individual has entered into the individual’s employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

“737.22.0.2.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the “original contract”, or a deemed contract, is deemed to end at the time when the individual ceases to be a foreign specialist.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the “original contract”, is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign specialist if this section were read without reference to the first and second paragraphs and paragraphs *c* to *e* of the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, the following rules apply:

(a) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the “deemed contract”, and that contract is deemed to be entered into within the hiring period of that employer; and

(b) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(a) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(b) has no specialized activity period that is running on 1 January 2001 in relation to that employment; and

(c) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.22.0.3, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in paragraph *d* of the definition of “foreign specialist” in section 737.22.0.1, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

“737.22.0.2.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 and in this section referred to as the “original contract”, is deemed not to be an employment contract separate from the original contract.

The rule set out in the first paragraph applies, with the necessary modifications, to a new employment contract that is entered into after 12 June 2003 with another eligible employer, who is deemed not to be an employer separate from the eligible employer, in this section referred to as the “first employer”, who entered into the original contract, provided that

(a) the other eligible employer is a corporation described in the third paragraph;

(b) the other eligible employer meets any of the following conditions:

- i. the other eligible employer controls directly or indirectly the first employer,
- ii. the other eligible employer is, directly or indirectly, a controlled subsidiary of the first employer, or
- iii. as a result of a transaction referred to in section 518 or 566, the other eligible employer continues to carry on the business of the first employer in the course of which the individual who entered into the original contract performed the individual’s duties as a foreign specialist; and

(c) it may reasonably be considered that, but for the change of employer, the individual who entered into the original contract would have continued to be a foreign specialist working for the first employer until the time when the individual took up employment, as an employee, with the other eligible employer.

The corporation to which subparagraph *a* of the second paragraph refers is

(a) if the first employer is a corporation described in paragraph *a* of the definition of “eligible employer” in the first paragraph of section 737.22.0.1, a corporation described in subparagraph i or ii of paragraph *a* of section 771.12;

(b) if the first employer is a corporation described in paragraph *d* or *f* of the definition of “eligible employer” in the first paragraph of section 737.22.0.1, a corporation described in any of those paragraphs; or

(c) if the first employer is a corporation referred to in any of paragraphs *e*, *g*, *h*, *i* and *j* of the definition of “eligible employer” in the first paragraph of section 737.22.0.1, a corporation described in that paragraph.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.22.0.2.2.

“737.22.0.2.4. For the purposes of this Title, a corporation that would be an eligible employer for a taxation year within the meaning of any of paragraphs *g*, *h*, *i* and *j* of the definition of “eligible employer” in the first paragraph of section 737.22.0.1, but for paragraph *c* of the definition of “qualified corporation” in the first paragraph of any of sections 1029.8.36.0.3.60, 1029.8.36.72.56 and 1029.8.36.72.83, is deemed to be an eligible employer for the corporation’s taxation year ending immediately before the acquisition of control described in that paragraph *c* and to be a corporation described in that paragraph *g*, *h*, *i* or *j*, as the case may be, for that taxation year.”

(2) Subsection 1 applies from 1 January 2001, except where it enacts sections 737.22.0.2.3 and 737.22.0.2.4 of the said Act, in which case it applies from the taxation year 2003. However, where sections 737.22.0.2.1 and 737.22.0.2.2 of the said Act apply

(1) before the taxation year 2003,

(a) subparagraph ii of subparagraph *b* of the first paragraph of section 737.22.0.2.1 shall be read with the reference to “in paragraphs *c* to *e*” replaced by a reference to “wherever it appears in paragraphs *c* and *d*”, and

(b) subparagraph *b* of the second paragraph of section 737.22.0.2.1 and the portion of the third paragraph of section 737.22.0.2.2 before subparagraph *a* shall be read with the reference to “*c* to *e*” replaced by a reference to “*c* and *d*” and with “wherever it appears” inserted before “replaced by”;

(2) after 31 December 2002, but in respect of an individual who took up employment, as an employee, with the eligible employer before 1 January 2003,

(a) subparagraph *b* of the first paragraph of section 737.22.0.2.1 shall be read

i. with subparagraph ii replaced by the following subparagraph:

“ii. with paragraph *c* replaced by the following paragraph:

“(c) the individual works exclusively or almost exclusively for the eligible employer throughout the year or the part of the year; and”;

ii. with the following subparagraphs added after subparagraph ii:

“iii. with the reference to “from the particular time to the end of the year or the part of the year” in the portion of paragraph *d* before subparagraph *i* replaced by a reference to “throughout the year or the part of the year”, and

“iv. with the reference to “from 1 January 2003 to the end of the year or the part of the year” in paragraph *e* replaced by a reference to “throughout the year or the part of the year”.”,

(*b*) subparagraph *b* of the second paragraph of section 737.22.0.2.1 shall be read as follows:

“(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign specialist working for the eligible employer if the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 were read

i. with paragraph *c* replaced by the following paragraph:

“(c) the individual works exclusively or almost exclusively for the eligible employer throughout the year or the part of the year; and”,

ii. with the reference to “from the particular time to the end of the year or the part of the year” in the portion of paragraph *d* before subparagraph *i* replaced by a reference to “throughout the year or the part of the year”, and

iii. with the reference to “from 1 January 2003 to the end of the year or the part of the year” in paragraph *e* replaced by a reference to “throughout the year or the part of the year”.”, and

(*c*) the portion of the third paragraph of section 737.22.0.2.2 before subparagraph *a* shall be read as follows:

“In addition, where at a particular time an individual would again become a foreign specialist if this section were read without reference to the first and second paragraphs, if paragraphs *c* to *e* of the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 were read with the reference to “from the particular time to the end of the year or the part of the year” or the reference to “from 1 January 2003 to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, and if paragraph *c* of that definition were read without reference to “and, where the eligible employer is a corporation referred to in any of paragraphs *d* to *j* of the definition of “eligible employer”, the individual’s duties as an employee of the eligible employer are, from that particular time to 31 December 2002, exclusively or almost exclusively attributable to eligible activities of that employer”, the following rules apply:”.

178. (1) Section 737.22.0.3 of the said Act is replaced by the following section:

“737.22.0.3. An individual who, at any time, holds employment, as a foreign specialist, with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the amount determined by the formula

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

In the formula provided for in the first paragraph,

(a) A is

i. 75%, if the eligible employer is a corporation to which subparagraph iii of paragraph *a* of section 771.12 applies and the individual entered into the individual’s employment contract with the eligible employer after 12 June 2003, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, and

ii. 100%, in any other case;

(b) B is the individual’s eligible income for the year, in relation to that employment, that the eligible employer certified in prescribed manner; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign specialist during the individual’s specialized activity period in relation to that employment.”

(2) Subsection 1 applies from 1 January 2001. However, where section 737.22.0.3 of the said Act, enacted by subsection 1, applies before the taxation year 2003, it shall be read as follows:

“737.22.0.3. An individual who, at any time, holds employment, as a foreign specialist, with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount no greater than the amount by which the individual’s eligible income for the year, in relation to that employment, as certified in prescribed manner by the eligible employer exceeds the aggregate of the amounts deductible by the individual in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign specialist during the individual’s specialized activity period in relation to that employment.”

179. (1) Section 737.22.0.4 of the said Act is replaced by the following section:

“737.22.0.4. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.3 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.3 in respect of that employment;

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.3 in respect of that employment; and

(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's specialized activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.3 in respect of that employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the product obtained by multiplying the amount of interest that is computed, in accordance with that paragraph, for the part of the year that is included in

the individual's specialized activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.3 in respect of that employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's specialized activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.3 in respect of that employment.”

(2) Subsection 1 applies from 1 January 2001. However, where section 737.22.0.4 of the said Act applies before the taxation year 2003, it shall be read

(1) with paragraphs *c* to *e* replaced by the following paragraphs:

“(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be nil;

“(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be nil;

“(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the portion of that amount that may reasonably be attributed to a part of the year that is included in the individual's specialized activity period, in relation to an employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the amount of interest that is computed, in accordance with that paragraph, for the part of the year that is included in the individual's specialized activity period, in relation to an employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's specialized activity period, in relation to an employment;”;

(2) with the following paragraphs added after paragraph *e*:

“(f) where the individual has included in computing income for the year an amount received by the individual under a registered gain-sharing plan that is part of a quality approach, within the meaning of section 725.8, of a corporation and the amount is included in the individual’s eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under section 725.9, deemed to be nil;

“(g) where the individual has included in computing income for the year an amount received or the value of a benefit received or enjoyed by the individual and such amount or such value is both described in subparagraph *a* of the first paragraph of section 726.22 and included in the individual’s eligible income for the year, in relation to an employment, the amount or value, as the case may be, is, for the purpose of computing the deduction under section 726.21, deemed to be nil; and

“(h) where the individual is a taxpayer to whom section 726.21 applies, the individual shall, for the purpose of computing the deduction under that section, subtract from the number of days referred to in subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.22, each of the days that is included in the individual’s specialized activity period, in relation to an employment.”

180. (1) Section 737.22.0.5 of the said Act is amended

(1) by replacing the definition of “eligible activity period” by the following definition:

““eligible activity period” of an individual who is a foreign professor for all or part of a taxation year, in relation to an employment the individual holds with an eligible employer, means the period that, subject to the second paragraph, begins on the day on which the individual begins to perform the duties of that employment and that ends on the earlier of

(a) the day preceding the day on which the individual ceases to be a foreign professor; and

(b) the day on which that period totals five years, with reference to

i. where the individual began to stay or became resident in Canada after 19 December 2002 by reason of an employment contract entered into after that date, the aggregate of all periods each of which is a preceding period within the meaning of section 737.22.0.5.1 that is established in respect of the individual, and

ii. in any other case, the aggregate of all preceding periods each of which is

(1) all or part of a preceding period, established in respect of the individual under this definition, to which an amount that the individual may deduct in computing the individual's taxable income for a taxation year, under section 737.22.0.7, in relation to a preceding employment, may reasonably be attributed, or

(2) a preceding period within the meaning of section 737.22.0.5.1 that is established in respect of the individual since the last time the individual became resident in Canada, other than a period described in subparagraph 1;"

(2) by replacing the definition of "foreign professor" by the following definition:

"foreign professor" for all or part of a taxation year means an individual in respect of whom the following conditions are met:

(a) at a particular time after 29 June 2000, the individual takes up employment, as an employee, with an eligible employer under an employment contract entered into with the eligible employer after that date;

(b) the individual is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer;

(c) the individual works exclusively or almost exclusively for the eligible employer from the particular time to the end of the year or the part of the year;

(d) the eligible employer obtained, in respect of the individual, a certificate issued, for the taxation year, by the Minister of Education, after having applied therefor in writing before 1 March of the following calendar year, and that certificate, that has not been revoked in respect of the year or the part of the year, certifies that the individual is specialized in the field of science and engineering, finance, health or new information and communication technologies and holds a doctoral degree in such a field;

(e) the certificate referred to in paragraph *d* and, where applicable, all the unrevoked certificates obtained in respect of the individual for preceding taxation years, certify that, from the particular time to the end of the year or the part of the year, the individual's duties for the individual's employer consist exclusively or almost exclusively in acting as a professor in the field of science and engineering, finance, health or new information and communication technologies;"

(3) by replacing the definition of "eligible income" by the following definition:

"eligible income", for a taxation year, of an individual who is a foreign professor at any time, in relation to an employment the individual holds with an eligible employer, means the aggregate of all amounts paid as wages in the

year by that employer and that may reasonably be attributed to the foreign professor's eligible activity period in relation to that employment;";

(4) by adding the following paragraph:

"Where the certificate referred to in paragraph *d* of the definition of "foreign professor" in the first paragraph was not issued in respect of an individual for the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, the individual's eligible activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for which such a certificate has been issued in respect of the individual."

(2) Subsection 1 applies from 1 January 2001. However,

(1) where the definition of "foreign professor" in the first paragraph of section 737.22.0.5 of the said Act applies

(a) before the taxation year 2003, it shall be read without reference to paragraph *e* and with paragraphs *c* and *d* replaced by the following paragraphs:

"(c) from the particular time to the end of the year or the part of the year,

i. the individual works exclusively or almost exclusively for the eligible employer, and

ii. the individual's duties as an employee of the eligible employer consist exclusively or almost exclusively in acting as a professor in the field of science and engineering, finance, health or new information and communication technologies;

"(d) the eligible employer obtained in respect of the individual from the Minister of Education, after having applied therefor in writing before 1 March of the calendar year following the taxation year, a certificate, that has not been revoked, certifying that the individual is specialized in the field of science and engineering, finance, health or new information and communication technologies and holds a doctoral degree in such a field;"; and

(b) after 31 December 2002, but in respect of an individual who took up employment, as an employee, with the eligible employer before 1 January 2003, it shall be read

i. with paragraph *c* replaced by the following paragraph:

"(c) the individual works, from the particular time to the end of the year or the part of the year, exclusively or almost exclusively for the eligible employer and, from the particular time to 31 December 2002, the individual's duties as an employee of the eligible employer consist exclusively or almost exclusively

in acting as a professor in the field of science and engineering, finance, health or new information and communication technologies;”, and

ii. with the reference to “from the particular time” in paragraph *e* replaced by a reference to “from 1 January 2003”; and

(2) where the second paragraph of section 737.22.0.5 of the said Act applies before the taxation year 2003 or after 31 December 2002, but in respect of an individual who took up employment, as an employee, with the eligible employer before 1 January 2003, it shall be read as follows:

“Where an individual is not a foreign professor for any part of the taxation year that includes the particular day on which the individual begins to perform the duties of an employment the individual holds with an eligible employer, because the certificate referred to in the definition of “foreign professor” in the first paragraph was not obtained in respect of the individual, the individual’s eligible activity period in relation to that employment begins only on the first day of the first taxation year following the particular day for all or part of which the individual is a foreign professor.”

181. (1) The said Act is amended by inserting the following section after section 737.22.0.5:

“**737.22.0.5.1.** For the purpose of establishing the eligible activity period of an individual in relation to an employment, a preceding period to which subparagraph *i* of paragraph *b* of the definition of “eligible activity period” in the first paragraph of section 737.22.0.5 and subparagraph 2 of subparagraph *ii* of that paragraph *b* refer means all or part of a preceding period, established in respect of the individual under any of the sections mentioned in the second paragraph of section 737.19.2 or under the regulations mentioned in that paragraph, to which an amount that the individual may deduct in computing the individual’s taxable income for a taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, may be attributed.”

(2) Subsection 1 applies from 1 January 2001.

182. (1) Section 737.22.0.6 of the said Act is replaced by the following section:

“**737.22.0.6.** For the purposes of the definition of “foreign professor” in the first paragraph of section 737.22.0.5, an individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with an eligible employer if

(*a*) the individual may deduct an amount in computing the individual’s taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2; or

(b) the individual would meet the condition set out in paragraph *a* if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.”

(2) Subsection 1 applies from 1 January 2001. However, where section 737.22.0.6 of the said Act applies before the taxation year 2003, it shall be read as follows:

“737.22.0.6. For the application of the definition of “foreign professor” in the first paragraph of section 737.22.0.5, to an individual who is resident in Canada immediately before entering into an employment contract with an eligible employer and immediately before taking up employment, as an employee, with that employer, the following rules apply:

(a) the individual is deemed not to be resident in Canada immediately before taking up employment, as an employee, with the eligible employer, if

i. the individual may deduct an amount in computing the individual’s taxable income for the taxation year in which the individual so took up employment or for a preceding taxation year, in relation to a preceding employment, under any of the sections mentioned in the third paragraph of section 737.19.2, or

ii. the individual would meet the condition set out in subparagraph i if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20; and

(b) a certificate referred to in paragraph *d* of the definition of “foreign professor” in the first paragraph of section 737.22.0.5 that has been issued in respect of the individual, in relation to a preceding employment contract entered into with any eligible employer, is deemed issued to the eligible employer in relation to the employment contract, if it has not been revoked.”

183. (1) The said Act is amended by inserting the following sections after section 737.22.0.6:

“737.22.0.6.1. For the purposes of this Title, an individual to whom the fourth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(a) the individual holds employment with the eligible employer on 1 January 2001; and

(b) at a particular time, the individual would be, for the first time since 1 January 2001, a foreign professor working for the eligible employer if the definition of “foreign professor” in the first paragraph of section 737.22.0.5 were read

i. without reference to paragraph *b* thereof, and

ii. with the reference to “from the particular time to the end of the year or the part of the year” in paragraphs *c* and *e* replaced by a reference to “throughout the year or the part of the year”.

An individual to whom the fifth paragraph applies is deemed to take up employment, as an employee, with an eligible employer at the particular time referred to in subparagraph *b* where

(*a*) the individual enters into an employment contract with the eligible employer after 31 December 2000; and

(*b*) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign professor working for the eligible employer if paragraphs *c* and *e* of the definition of “foreign professor” in the first paragraph of section 737.22.0.5 were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”.

In addition, the individual to whom the first or second paragraph applies is also deemed to begin performing the duties of the employment the individual holds with the eligible employer at the particular time referred to in subparagraph *b* of that paragraph.

The individual to whom the first paragraph refers is the individual who

(*a*) has no eligible activity period that is running on 1 January 2001 in relation to that employment; and

(*b*) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

The individual to whom the second paragraph refers is the individual who may deduct, in computing the individual’s taxable income for the taxation year in which the individual has entered into the individual’s employment contract or for a preceding taxation year, in relation to a preceding employment, an amount under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20.

“737.22.0.6.2. For the purposes of this Title, the employment contract that an individual entered into with an eligible employer, in this section referred to as the “original contract”, or a deemed contract within the meaning of subparagraph *a* of the third paragraph, is deemed to end at the time when the individual ceases to be a foreign professor.

Where on 1 January 2001 an individual to whom the fourth paragraph applies holds employment with an eligible employer, the employment contract the individual entered into with that employer, in this section referred to as the “original contract”, is deemed to have ended before that date.

In addition, where at a particular time an individual would again become a foreign professor if this section were read without reference to the first and second paragraphs and paragraphs *c* and *e* of the definition of “foreign professor” in the first paragraph of section 737.22.0.5 were read with the reference to “from the particular time to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, the following rules apply:

(*a*) the individual is deemed to enter into, with the eligible employer, a new employment contract, in this section referred to as the “deemed contract”, and that contract is deemed to be entered into before 13 June 2003; and

(*b*) the individual is deemed to take up employment, as an employee, with the eligible employer at the particular time and is also deemed to begin at that time to perform the duties of that new employment.

The individual to whom the second paragraph refers is the individual who

(*a*) is not resident in Canada immediately before entering into the original contract or immediately before taking up employment, as an employee, with the eligible employer;

(*b*) has no eligible activity period that is running on 1 January 2001 in relation to that employment; and

(*c*) may deduct, in computing the individual’s taxable income for a taxation year preceding the year 2001, in relation to that employment, an amount under section 737.22.0.7, or could so deduct such an amount if the eligible employer had not failed to apply, in respect of the individual, for a certificate referred to in the definition of “foreign professor” in section 737.22.0.5, as it read for that preceding taxation year.

The expiry, termination or cancellation of the original contract or any other event having the effect of terminating the original contract also entails the expiry, termination or cancellation, as the case may be, of a deemed contract continuing the original contract, or otherwise terminates such a contract.

The renewal of the original contract also entails the renewal of a deemed contract continuing the original contract, except if the deemed contract is deemed to have ended under the first paragraph.

“737.22.0.6.3. For the purposes of this Title, the contract resulting from the renewal, after 12 June 2003, of an employment contract referred to in the definition of “foreign professor” in the first paragraph of section 737.22.0.5 is deemed not to be an employment contract separate from the employment contract referred to in that definition.

The first paragraph does not apply in respect of a contract that is deemed to have ended under the first or second paragraph of section 737.22.0.6.2.”

(2) Subsection 1 applies from 1 January 2001, except where it enacts section 737.22.0.6.3 of the said Act, in which case it applies from the taxation year 2003. However, where sections 737.22.0.6.1 and 737.22.0.6.2 of the said Act apply

(1) before the taxation year 2003,

(a) subparagraph ii of subparagraph *b* of the first paragraph of section 737.22.0.6.1 shall be read with “in paragraphs *c* and *e*” replaced by “in paragraph *c*”, and

(b) subparagraph *b* of the second paragraph of section 737.22.0.6.1 and the portion of the third paragraph of section 737.22.0.6.2 before subparagraph *a* shall be read with the reference to “paragraphs *c* and *e*” replaced by a reference to “paragraph *c*” and the reference to “se lisaient” in the French text shall be read as a reference to “se lisait”;

(2) after 31 December 2002, but in respect of an individual who took up employment, as an employee, with the eligible employer before 1 January 2003,

(a) subparagraph *b* of the first paragraph of section 737.22.0.6.1 shall be read

i. with subparagraph ii replaced by the following subparagraph:

“ii. with paragraph *c* replaced by the following paragraph:

“(c) the individual works exclusively or almost exclusively for the eligible employer throughout the year or the part of the year;”.”, and

ii. with the following subparagraph added after subparagraph ii:

“iii. with the reference to “from 1 January 2003 to the end of the year or the part of the year” in paragraph *e* replaced by a reference to “throughout the year or the part of the year”.”,

(b) subparagraph *b* of the second paragraph of section 737.22.0.6.1 shall be read as follows:

“(b) at a particular time, the individual would be, for the first time since the entering into the contract referred to in subparagraph *a*, a foreign professor working for the eligible employer if the definition of “foreign professor” in the first paragraph of section 737.22.0.5 were read

i. with paragraph *c* replaced by the following paragraph:

“(c) the individual works exclusively or almost exclusively for the eligible employer throughout the year or the part of the year;”, and

ii. with the reference to “from 1 January 2003 to the end of the year or the part of the year” in paragraph *e* replaced by a reference to “throughout the year or the part of the year””, and

(c) the portion of the third paragraph of section 737.22.0.6.2 before subparagraph *a* shall be read as follows:

“In addition, where at a particular time an individual would again become a foreign professor if this section were read without reference to the first and second paragraphs, if paragraphs *c* and *e* of the definition of “foreign professor” in the first paragraph of section 737.22.0.5 were read with the reference to “from the particular time to the end of the year or the part of the year” or the reference to “from 1 January 2003 to the end of the year or the part of the year” replaced by a reference to “throughout the year or the part of the year”, and if paragraph *c* of that definition were read without reference to “and, from the particular time to 31 December 2002, the individual’s duties as an employee of the eligible employer consist exclusively or almost exclusively in acting as a professor in the field of science and engineering, finance, health or new information and communication technologies”, the following rules apply:”.

184. (1) Section 737.22.0.7 of the said Act is replaced by the following section:

“737.22.0.7. An individual who, at any time, holds employment, as a foreign professor, with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the amount determined by the formula

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

In the formula provided for in the first paragraph,

(a) *A* is

i. 75%, where the individual entered into the individual's employment contract with the eligible employer after 12 June 2003, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, and

ii. 100%, in any other case;

(b) B is the individual's eligible income for the year, in relation to that employment, that the eligible employer certified in prescribed manner; and

(c) C is the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign professor during the individual's eligible activity period in relation to that employment."

(2) Subsection 1 applies from 1 January 2001. However, where section 737.22.0.7 of the said Act applies before the taxation year 2003, it shall be read as follows:

"737.22.0.7. An individual who, at any time, holds employment, as a foreign professor, with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the amount by which the individual's eligible income for the year, in relation to that employment, that the eligible employer certified in prescribed manner exceeds the aggregate of all amounts that the individual may deduct in computing the individual's income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual's employment as a foreign professor during the individual's eligible activity period in relation to that employment."

185. (1) Section 737.22.0.8 of the said Act is replaced by the following section:

"737.22.0.8. For the purpose of computing the taxable income of an individual referred to in section 737.22.0.7 for a taxation year, the following rules apply:

(a) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive in the year under any of sections 49 and 50 to 52.1, in respect of a security, or the transfer or any other disposition of the rights under the agreement referred to in section 48 and the amount of the benefit is included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.2, deemed to be nil;

(b) where the individual has included in computing income for the year an amount that is the benefit the individual is deemed to receive under section 49 as a consequence of the application of section 49.2 in respect of a share acquired by the individual after 22 May 1985 and the amount of the benefit is

included in the individual's eligible income for the year, in relation to an employment, the amount of the benefit is, for the purpose of computing the deduction under section 725.3, deemed to be nil;

(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.7 in respect of that employment;

(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual's eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be equal to the product obtained by multiplying that amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.7 in respect of that employment; and

(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be attributed to the part of the year that is included in the individual's eligible activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.7 in respect of that employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the product obtained by multiplying the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual's eligible activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.7 in respect of that employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the product obtained by multiplying the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual's eligible activity period, in relation to an employment, by the percentage determined under subparagraph *a* of the second paragraph of section 737.22.0.7 in respect of that employment.”

(2) Subsection 1 applies from 1 January 2001. However, where section 737.22.0.8 of the said Act applies before the taxation year 2003, it shall be read

(1) with paragraphs *c* to *e* replaced by the following paragraphs:

“(c) where the individual has included in computing income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the individual’s eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under that paragraph, deemed to be nil;

“(d) where the individual has included in computing income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the individual’s eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under the first paragraph of that section, deemed to be nil;

“(e) where the individual has included in computing income for the year an amount under sections 487.1 to 487.6 in respect of a benefit received by the individual as a home relocation loan, the individual shall, for the purpose of computing the deduction under section 725.6,

i. subtract from the amount determined under paragraph *a* of section 725.6, the portion of that amount that may reasonably be attributed to a part of the year that is included in the individual’s eligible activity period, in relation to an employment,

ii. subtract from the amount determined under paragraph *b* of section 725.6, the amount of interest, computed in accordance with that paragraph, for the part of the year that is included in the individual’s eligible activity period, in relation to an employment, and

iii. subtract from the amount determined under paragraph *c* of section 725.6, the portion of that amount that may reasonably be considered to have been received in the part of the year that is included in the individual’s eligible activity period, in relation to an employment;”;

(2) with the following paragraphs added after paragraph *e*:

“(f) where the individual has included in computing income for the year an amount received by the individual under a registered gain-sharing plan that is part of a quality approach, within the meaning of section 725.8, of a corporation and the amount is included in the individual’s eligible income for the year, in relation to an employment, the amount is, for the purpose of computing the deduction under section 725.9, deemed to be nil;

“(g) where the individual has included in computing income for the year an amount received or the value of a benefit received or enjoyed by the individual and such amount or such value is both described in subparagraph *a* of the first paragraph of section 726.22 and included in the individual’s eligible income for the year, in relation to an employment, the amount or value, as the case may be, is, for the purpose of computing the deduction under section 726.21, deemed to be nil; and

“(h) where the individual is a taxpayer to whom section 726.21 applies, the individual shall, for the purpose of computing the deduction under that section, subtract from the number of days referred to in subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.22, each of the days that is included in the individual’s eligible activity period, in relation to an employment.”

186. (1) Titles VII.4 and VII.4.1 of Book IV of Part I of the said Act are repealed.

(2) Subsection 1 applies to taxation years that begin after 12 June 2003. In addition, where sections 737.23 and 737.23.1 of the said Act apply to taxation years that include that date, the reference to “not exceeding its taxable income for that year computed without reference to this section” in section 737.23 and the reference to “not exceeding its taxable income for that year computed before the application of this section” in section 737.23.1 shall each be read as a reference to “equal to the product obtained by multiplying an amount not exceeding its taxable income for that year computed before the application of this section by the proportion that the number of days in the taxation year that precede 13 June 2003 is of the number of days in the taxation year”.

187. Section 737.27 of the said Act is amended by replacing “employed by” in the definition of “eligible seaman” by “an employee of”.

188. (1) Section 737.28 of the said Act is replaced by the following section:

“737.28. An individual resident in Québec in a taxation year who encloses, with the fiscal return the individual is required to file under this Part for the year, a copy of the certificate issued by the Minister of Transport certifying that the individual was an eligible seaman for that taxation year may deduct, in computing the individual’s taxable income for the year, the aggregate of all amounts each of which is an amount equal to 75% of the amount of salaries or wages received by the individual in the year, in relation to a period determined in the certificate, from an eligible shipowner whose name appears on the certificate.”

(2) Subsection 1 applies from the taxation year 2003. However, where section 737.28 of the said Act applies to the taxation year 2003, it shall be read as follows:

“737.28. An individual resident in Québec in a taxation year who encloses, with the fiscal return the individual is required to file under this Part for the year, a copy of the certificate issued by the Minister of Transport certifying that the individual was an eligible seaman for that taxation year may deduct, in computing the individual’s taxable income for the year, the total of

(a) the aggregate of all amounts each of which is the amount of salaries or wages received by the individual in the year, in relation to a period determined in the certificate, from an eligible shipowner whose name appears on the certificate, as consideration for services rendered before 13 June 2003; and

(b) the aggregate of all amounts each of which is an amount equal to 75% of the amount of salaries or wages received by the individual in the year, in relation to a period determined in the certificate, from an eligible shipowner whose name appears on the certificate, as consideration for services rendered after 12 June 2003.”

189. (1) Section 750 of the said Act is amended

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

“iii. where that year is the year 2002 or a subsequent year, the aggregate of

(1) 16% of \$26,000, and

(2) 20% of the amount by which the individual’s taxable income exceeds \$26,000; and”;

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

“iii. where that year is the year 2002 or a subsequent year, the aggregate of

(1) 36% of \$26,000, and

(2) 24% of the amount by which the individual’s taxable income exceeds \$52,000.”

(2) Subsection 1 applies from the taxation year 2002.

190. (1) The said Act is amended by inserting the following section after section 750.2:

“750.2.1. Notwithstanding section 750.2, each of the amounts referred to in the third paragraph of that section shall, where it is to be used for the taxation year 2004, be adjusted in such a manner that the amount used for that taxation year is equal to the total of the amount used for the taxation year 2003 and the product obtained by multiplying that amount so used by 2%.”

(2) Subsection 1 applies from the taxation year 2004.

191. (1) Section 750.3 of the said Act is replaced by the following section:

“**750.3.** Where the amount that results from the adjustment provided for in section 750.2 or 750.2.1 is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.”

(2) Subsection 1 applies from the taxation year 2004.

192. (1) Section 752.0.1 of the said Act is amended by striking out paragraph *i*.

(2) Subsection 1 applies from the taxation year 2003.

193. (1) Section 752.0.10 of the said Act is amended by replacing paragraph *f* by the following paragraph:

“(f) an amount that is

i. an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year,

ii. the part of an amount, included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment, or

iii. the part of an amount, included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act.”

(2) Subsection 1 has effect from 1 January 2001. However, where subparagraphs ii and iii of paragraph *f* of section 752.0.10 of the said Act apply before the taxation year 2003, they shall be read as follows:

“ii. an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year, or

“iii. an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year.”

194. (1) Section 752.0.10.1 of the said Act is amended

(1) by inserting the following paragraph after paragraph *a* of the definition of “qualified total charitable gifts” in the first paragraph:

“(a.1) where the individual is, in the year, a member of a religious order and has taken vows of perpetual poverty, except where paragraph *a* applies to the individual for the year, the lesser of the individual’s income for the year and the aggregate of

- i. the total religious order gifts of the individual for the year, and
- ii. the lesser of the amount by which the total charitable gifts of the individual for the year exceeds the total religious order gifts of the individual for the year and the amount determined by the formula

$$0.75 \times A + 0.25 \times (B + C + D - E);”;$$

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

““total religious order gifts” of an individual who is a member of a religious order and has taken vows of perpetual poverty, for a taxation year, means the aggregate of all amounts each of which is the fair market value of a gift, otherwise included in the total charitable gifts of the individual for the year, that the individual made to a religious order that qualifies as a registered charity.”;

(3) by inserting the following paragraph after paragraph *c* of the definition of “total charitable gifts” in the first paragraph:

“(c.1) a recognized political education organization if the gift is made after 18 December 2002.”;

(4) by replacing the portion of the fourth paragraph before subparagraph *a* by the following:

“In the formulas provided for in subparagraph ii of paragraph *a.1* and paragraph *b* of the definition of “qualified total charitable gifts” in the first paragraph,”.

(2) Paragraphs 1, 2 and 4 of subsection 1 apply from the taxation year 2003.

(3) Paragraph 3 of subsection 1 has effect from 19 December 2002.

195. (1) Section 752.0.10.11.1 of the said Act is amended by inserting “c.1,” after “any of paragraphs *a, b,*” in the first paragraph.

(2) Subsection 1 has effect from 19 December 2002.

196. (1) Section 752.0.11 of the said Act is amended

(1) by replacing the formula provided for in the first paragraph by the following formula:

“ $A \times (B - C)$.”;

(2) by striking out subparagraph *d* of the second paragraph.

(2) Subsection 1 applies from the taxation year 2003.

197. (1) Section 767 of the said Act is amended by replacing the third paragraph by the following paragraph:

“The first paragraph does not apply in respect of an amount deducted under paragraph *e* of section 725 in computing the individual’s taxable income for the year or in respect of an amount that is

(*a*) an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year;

(*b*) the part of an amount, included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment; or

(*c*) the part of an amount, included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined under subparagraph 1 of the second paragraph of section 65 of that Act.”

(2) Subsection 1 has effect from 1 January 2001. However, where subparagraphs *b* and *c* of the third paragraph of section 767 of the said Act apply before the taxation year 2003, they shall be read as follows:

“(b) an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year; or

“(c) an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year.”

198. (1) Section 771 of the said Act is amended, in subsection 1,

(1) by replacing paragraph *d.2* by the following paragraph:

“(d.2) in the case of a corporation other than a corporation referred to in paragraph *a*, to the amount by which 16.25% of its taxable income for the year exceeds 7.35% of the lesser of

i. the amount by which its taxable income for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the portion of that income that is not, because of an Act of the Parliament of Québec, subject to tax under this Part, and

ii. the amount by which its income for the year from an eligible business carried on by it exceeds its loss for the year from such a business;”;

(2) by replacing subparagraph 2 of subparagraph ii of paragraph *h* by the following subparagraph:

“(2) the amount by which its income for the year from an eligible business carried on by it exceeds its loss for the year from such a business;”;

(3) by striking out, in paragraph *h*, the portion after subparagraph 2 of subparagraph ii.

(2) Subsection 1 applies to taxation years that begin after 11 June 2003. In addition, where section 771 of the said Act applies to taxation years that end after 11 June 2003 and include that date, subsection 1 of section 771 shall be read with

(1) subparagraph 3 of subparagraph i of paragraph *d.2* replaced by the following subparagraph:

“(3) where the corporation was, throughout the year, a savings and credit union, the aggregate of the excess amount described in subparagraph 2 and the proportion of the amount by which the particular amount determined in its respect for the year under section 771.0.3.1 exceeds the excess amount described in subparagraph 2 that the number of days in the year that precede 12 June 2003 is of the number of days in the year, and”;

(2) the percentage of 3.15% in subparagraph ii of paragraph *d.2* replaced by the percentage obtained by multiplying 3.15% by the proportion that the number of days in the taxation year that precede 12 June 2003 is of the number of days in the taxation year;

(3) subparagraph 3 of subparagraph ii of paragraph *h* replaced by the following subparagraph:

“(3) where the corporation was, throughout the year, a savings and credit union, the aggregate of the excess amount described in subparagraph 2 and the proportion of the amount by which the particular amount determined in its respect for the year under section 771.0.3.1 exceeds the excess amount described in subparagraph 2 that the number of days in the year that precede 12 June 2003 is of the number of days in the year, and”;

(4) subparagraph iii of paragraph *h* replaced by the following subparagraph:

“iii. where the corporation was, throughout the year, a savings and credit union, the proportion of 3.15% of the amount by which the particular amount determined in its respect for the year under section 771.0.3.1 exceeds the amount that would be determined in its respect for the year under section 771.8.3 if it were read for the year as it reads for taxation years that end on 11 June 2003 that the number of days in the year that precede 12 June 2003 is of the number of days in the year;”.

199. (1) Section 771.0.3.1 of the said Act is repealed.

(2) Subsection 1 applies to taxation years that begin after 11 June 2003.

200. (1) Section 771.0.6 of the said Act is repealed.

(2) Subsection 1 applies to taxation years that begin after 11 June 2003.

201. (1) Section 771.1 of the said Act is amended, in the first paragraph,

(1) by replacing “and paragraph *d* of the first paragraph of sections 771.8.3 and 771.8.5” in the definition of “eligible business” by “, subparagraph *d* of the first paragraph of section 771.8.3 and subparagraph *a* of the first paragraph of section 771.8.5”;

(2) by striking out the definitions of “maximum cumulative reserve”, “member” and “preferred-rate amount”.

(2) Paragraph 1 of subsection 1 applies to taxation years that begin after 30 June 1999.

(3) Paragraph 2 of subsection 1 applies to taxation years that begin after 11 June 2003.

202. (1) Section 771.2.2 of the said Act is replaced by the following section:

“771.2.2. For the purposes of paragraphs *d.2* and *h* of subsection 1 of section 771 and section 771.8.3, the amount by which the income of a corporation for a taxation year from an eligible business carried on by it exceeds its loss for the year from such a business shall be computed as if

(a) in the case of paragraphs *d.2* and *h* of subsection 1 of section 771, 75% of any income or loss of the corporation for the year from the operations of an international financial centre were nil; and

(b) in the case of section 771.8.3, any income or loss of the corporation for the year from the operations of an international financial centre were nil.”

(2) Subsection 1 applies to taxation years of corporations that end after 12 June 2003. However, where the percentage of 75% provided for in paragraph *a* of section 771.2.2 of the said Act is to be applied

(1) to the corporation’s income or loss for such a taxation year of the corporation that includes 12 June 2003, from the operations of an international financial centre operated by the corporation, the percentage of 75% shall be replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 during which the corporation operates the international financial centre is of the number of days in the taxation year during which the corporation operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 during which the corporation operates the international financial centre is of the number of days in the taxation year during which the corporation operates the international financial centre;

(2) to the corporation’s share of the income or loss of a partnership for a fiscal period of the partnership that ends in such a taxation year of the corporation and includes 12 June 2003 or ends before that date, from the operations of an international financial centre operated by the partnership, the percentage of 75% shall be replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre.

203. (1) Section 771.2.6 of the said Act is amended by replacing the formula provided for in the second paragraph by the following formula:

“75% × {1 – [(A – \$20,000,000) / \$10,000,000]}.”

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 771.2.6 of the said Act applies to a taxation year that includes 12 June 2003, it shall be read

(1) with the formula provided for in the second paragraph replaced by the following formula:

“{[1 – (A / \$10,000,000)] × B} + {75% × [1 – (A / \$10,000,000)] × C}.”;

(2) with the third paragraph replaced by the following paragraph:

“In the formula provided for in the second paragraph:

(a) A is the amount by which the greater of \$20,000,000 and the paid-up capital attributed to the corporation for the year determined in accordance with section 737.18.24 exceeds \$20,000,000;

(b) B is the proportion that the number of days in the year that precede 13 June 2003 is of the number of days in the year; and

(c) C is the proportion that the number of days in the year that follow 12 June 2003 is of the number of days in the year.”

204. (1) Section 771.2.7 of the said Act is replaced by the following section:

“771.2.7. For the purposes of paragraphs *d.2* and *h* of subsection 1 of section 771 and section 771.8.3, the amount by which the income of a corporation for a taxation year from an eligible business carried on by it exceeds its loss for the year from such a business shall be computed as if

(a) in the case of paragraphs *d.2* and *h* of subsection 1 of section 771, 75% of the amounts determined in accordance with subparagraphs *a* and *b* of the second paragraph of section 737.18.33 in respect of the corporation for the year were nil; and

(b) in the case of section 771.8.3, the amounts determined in accordance with subparagraphs *a* and *b* of the second paragraph of section 737.18.33 in respect of the corporation for the year were nil.”

(2) Subsection 1 applies to taxation years of corporations that end after 12 June 2003. However, where the percentage of 75% provided for in paragraph *a* of section 771.2.7 of the said Act is to be applied to the corporation’s income or loss for such a taxation year of the corporation that includes 12 June 2003, from the operations of a recognized business, within the meaning of the first paragraph of section 737.18.29 of the said Act, carried on by the corporation, the percentage of 75% shall be replaced by the total of

(1) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 during which the corporation carries on the recognized business is of the number of days in the taxation year during which the corporation carries on the recognized business; and

(2) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 during which the corporation carries on the recognized business is of the number of days in the taxation year during which the corporation carries on the recognized business.

205. (1) Section 771.8.3 of the said Act is amended

(1) by replacing “is the least of” in the portion of the first paragraph before subparagraph *a* by “is equal to 75% of the least of”;

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

(3) by replacing subparagraph *d* of the first paragraph by the following subparagraph:

“(d) the amount by which its income for the year from an eligible business carried on by it in Canada exceeds its loss for the year from such a business.”;

(4) by replacing subparagraph *a* of the second paragraph by the following subparagraph:

“(a) where the corporation’s taxation year includes the last day of its exemption period, with “is equal to 75% of the least of”, in the portion before subparagraph *a* thereof, replaced by “is equal to such proportion of 75% of the least of the following amounts as the number of days in the year that are included in the corporation’s exemption period is of the number of days in the year.”;

(2) Paragraphs 1 and 4 of subsection 1 apply to taxation years that end after 12 June 2003. However, where section 771.8.3 of the said Act applies to such taxation years that include that date, it shall be read

(1) with the percentage of 75% mentioned in the portion of the first paragraph before subparagraph *a* and first mentioned in subparagraph *a* of the second paragraph, replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 is of the number of days in the taxation year, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 is of the number of days in the taxation year; and

(2) with the percentage of 75% mentioned secondly in subparagraph *a* of the second paragraph replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 that are included in the corporation's exemption period is of the number of days in the taxation year that are included in that exemption period, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 that are included in the corporation's exemption period is of the number of days in the taxation year that are included in that exemption period.

(3) Paragraphs 2 and 3 of subsection 1 apply to taxation years that begin after 11 June 2003. In addition, where section 771.8.3 of the said Act applies to a taxation year that ends after 11 June 2003 and includes that date, it shall be read with the following paragraph added after the second paragraph:

“Notwithstanding the first and second paragraphs, where the corporation was a savings and credit union throughout the taxation year, the amount that, for the purposes of paragraph *h* of subsection 1 of section 771, shall be determined in respect of the corporation for the year under this section is equal to the aggregate of

(a) the proportion of the amount that, but for this paragraph and subparagraph *a* of the second paragraph, and if the percentage mentioned in the portion of the first paragraph before subparagraph *a* were equal to 100%, would be determined in respect of the corporation for the year under this section, that the number of days in the year that precede 12 June 2003 that are included in the corporation's exemption period is of the number of days in the year;

(b) where the corporation's exemption period includes 12 June 2003, the proportion of the amount that, but for this paragraph, subparagraph *c* of the first paragraph and subparagraph *a* of the second paragraph, and if the percentage mentioned in the portion of the first paragraph before subparagraph *a* were equal to 100%, would be determined in respect of the corporation for the year under this section, that 1 is of the number of days in the year; and

(c) the proportion of the amount that, but for this paragraph, subparagraph *c* of the first paragraph and subparagraph *a* of the second paragraph, and if the percentage mentioned in the portion of the first paragraph before subparagraph *a* were equal to 75%, would be determined in respect of the corporation for the year under this section, that the number of days in the year that follow 12 June 2003 that are included in the corporation's exemption period is of the number of days in the year."

206. (1) Section 771.13 of the said Act is amended

(1) by adding the following paragraph after paragraph *c*:

"(d) subject to the second paragraph, control of the corporation was acquired at the beginning of the year or of a preceding taxation year, but after 11 June 2003, by a person or a group of persons.;"

(2) by adding the following paragraph:

"However, the first paragraph shall be read without reference to subparagraph *d* thereof

(a) where the corporation control of which is acquired is referred to in subparagraph iii of paragraph *a* of section 771.12;

(b) where the acquisition of control occurs after 11 June 2003 but before 1 July 2004 and Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date;

(c) where the person acquiring control of the corporation or, if control is acquired by a group of persons, each of the persons forming the group, is an exempt corporation; and

(d) where the acquisition of control derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003."

(2) Subsection 1 has effect from 12 June 2003.

207. (1) Section 772.2 of the said Act is amended

(1) by replacing the definition of "tax otherwise payable" by the following definition:

"“tax otherwise payable” under this Part by a taxpayer for a taxation year means the tax payable by the taxpayer for the year under this Part, computed without reference to this chapter, sections 766.2 to 766.4, 767, 776 to 776.1.6, 776.17, 776.29 to 776.40, 1183 and 1184 and subparagraphs i and ii of paragraphs *d.2*, *h* and *j* of subsection 1 of section 771;";

(2) by replacing subparagraph vii of paragraph *d* of the definition of “non-business-income tax” by the following subparagraph:

“vii. that may reasonably be attributed, as the case may be,

(1) to an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year,

(2) to the portion of an amount, included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment, or

(3) to the portion of an amount, included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined in subparagraph 1 of the second paragraph of section 65 of that Act, or”;

(3) by replacing paragraph *b* of the definition of “business-income tax” by the following paragraph:

“(b) that may reasonably be attributed, as the case may be,

i. to an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year,

ii. to the portion of an amount, included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year, that is equal to the product obtained by multiplying that amount by the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment, or

iii. to the portion of an amount, included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year, that is equal to the product obtained

by multiplying that amount by the percentage determined in subparagraph 1 of the second paragraph of section 65 of that Act; or”.

(2) Paragraph 1 of subsection 1 applies to taxation years that begin after 11 June 2003.

(3) Paragraphs 2 and 3 of subsection 1 have effect from 1 January 2003. However, where section 772.2 of the said Act applies before the taxation year 2003,

(1) subparagraphs 2 and 3 of subparagraph vii of paragraph *d* of the definition of “non-business-income tax” shall be read as follows:

“(2) to an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year,

“(3) to an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year, or”;

(2) subparagraphs ii and iii of paragraph *b* of the definition of “business-income tax” shall be read as follows:

“ii. to an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year,

“iii. to an amount included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69 of the Act respecting international financial centres (chapter C-8.3), in relation to an employment that is included in the year; or”.

208. (1) Section 772.7 of the said Act, amended by section 148 of chapter 8 of the statutes of 2004, is again amended by replacing subparagraph ii of subparagraph *b* of the first paragraph by the following subparagraph:

“ii. the aggregate of all amounts each of which is an amount deductible under any of sections 725, 725.2 to 725.6, 726.26, 726.28, 737.14, 737.16, 737.16.1, 737.18.10, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9, 726.20.2 and 729, in computing the individual’s taxable income for the year.”

(2) Subsection 1 applies from the taxation year 2001. However, where subparagraph ii of subparagraph *b* of the first paragraph of section 772.7 of the said Act applies before 22 February 2002, it shall be read as follows:

“ii. the aggregate of all amounts each of which is an amount deductible under any of sections 725, 725.2 to 725.6, 726.26, 737.14, 737.16, 737.16.1, 737.18.10, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9, 726.20.2 and 729, in computing the individual’s taxable income for the year.”

209. (1) Section 772.9 of the said Act, amended by section 149 of chapter 8 of the statutes of 2004, is again amended by replacing subparagraph 2 of subparagraph ii of paragraph *a* by the following subparagraph:

“(2) the aggregate of all amounts each of which is an amount deductible under any of sections 725, 725.2 to 725.6, 726.26, 726.28, 737.14, 737.16, 737.16.1, 737.18.10, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9, 726.20.2 and 729, in computing the individual’s taxable income for the year; and”.

(2) Subsection 1 applies from the taxation year 2001. However, where subparagraph 2 of subparagraph ii of paragraph *a* of section 772.9 of the said Act applies before 22 February 2002, it shall be read as follows:

“(2) the aggregate of all amounts each of which is an amount deductible under any of sections 725, 725.2 to 725.6, 726.26, 737.14, 737.16, 737.16.1, 737.18.10, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9, 726.20.2 and 729, in computing the individual’s taxable income for the year; and”.

210. (1) Section 772.11 of the said Act, amended by section 151 of chapter 8 of the statutes of 2004, is again amended

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

“**772.11.** An individual who is an employee of an international organization within the meaning of section 2 of the Foreign Missions and International Organizations Act (Statutes of Canada, 1991, chapter 41) may, if the individual is resident in Québec on the last day of a taxation year, deduct from the individual’s tax otherwise payable under this Part for the year the amount by which the aggregate of all amounts each of which is an amount paid by the individual to the organization as a levy to defray expenses of the organization, computed by reference to the remuneration received by the individual in the year from the organization in a manner similar to the manner in which income tax is computed, exceeds the aggregate of”;

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

“(2) the aggregate of all amounts each of which is an amount deductible under any of sections 725, 725.2 to 725.6, 726.26, 726.28, 737.14, 737.16, 737.16.1, 737.18.10, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9, 726.20.2 and 729, in computing the individual’s taxable income for the year; and”.

(2) Paragraph 2 of subsection 1 applies from the taxation year 2001. However, where subparagraph 2 of subparagraph ii of subparagraph *a* of the second paragraph of section 772.11 of the said Act applies before 22 February 2002, it shall be read as follows:

“(2) the aggregate of all amounts each of which is an amount deductible under any of sections 725, 725.2 to 725.6, 726.26, 737.14, 737.16, 737.16.1, 737.18.10, 737.18.28, 737.18.34, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3, 737.22.0.7, 737.22.0.10, 737.25 and 737.28, or deducted under any of sections 726.7 to 726.9, 726.20.2 and 729, in computing the individual’s taxable income for the year; and”.

211. (1) The said Act is amended by inserting the following after section 772.13:

“CHAPTER I.1

“TAX CREDIT RELATING TO A DESIGNATED TRUST

“**772.14.** In this chapter, “designated beneficiary” and “designated trust” have the meaning assigned by section 671.5.

“**772.15.** A taxpayer who is a designated beneficiary under a designated trust for a taxation year of the designated trust may deduct from the taxpayer’s tax otherwise payable under this Part for a particular taxation year, the income tax paid by the designated trust for the year to the government of a province, other than Québec, that relates to an amount that the designated trust has designated in respect of the taxpayer or a partnership of which the taxpayer is a member in its fiscal return filed for the year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 or 13.2 of section 104 of that Act, and that the taxpayer has included in computing the taxpayer’s income for the particular year under section 662 or 663.

The income tax paid by the designated trust for the year to the government of a province, other than Québec, that relates to a designated amount referred to in the first paragraph shall not exceed the tax that would have been otherwise payable by the designated trust in respect of that amount under this Part, if the designated trust had been resident in Québec on the last day of the year.

“772.16. A taxpayer may deduct an amount for a particular taxation year, under section 772.15, in relation to an amount designated by a designated trust in its fiscal return filed for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 or 13.2 of section 104 of that Act, only if the taxpayer encloses with the fiscal return the taxpayer is required to file for the particular year under section 1000, any document establishing the income tax paid by the designated trust to the government of a province, other than Québec, that relates to the designated amount.”

(2) Subsection 1 applies in respect of amounts designated, in accordance with subsection 13.1 or 13.2 of section 104 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), after 11 July 2002.

212. (1) The said Act is amended by inserting the following section after section 776.1.0.1:

“776.1.0.2. For the purposes of this chapter, an amount paid for the purchase of a share referred to in paragraph *a* or *b* of section 776.1.1 consists solely of the issue price paid in respect of that share.”

(2) Subsection 1 is declaratory.

213. (1) Section 776.1.5.0.11 of the said Act is amended by adding the following paragraph after the second paragraph:

“Where the period referred to in the first paragraph ends on 28 February 2005, that paragraph shall be read with the reference to “1 March of the particular year” replaced by a reference to “31 March of the particular year”.”

(2) Subsection 1 has effect from 31 March 2004.

214. (1) The said Act is amended by inserting the following section after section 776.1.5.0.14:

“776.1.5.0.15. For the purposes of this chapter, an amount paid for the purchase of a share of the capital stock of the corporation governed by the Act constituting Capital régional et coopératif Desjardins (chapter C-6.1) consists solely of the issue price paid in respect of that share.”

(2) Subsection 1 is declaratory.

215. Section 776.29.1 of the said Act is amended by replacing “5”, wherever it appears in the third paragraph, by “\$5”.

216. (1) The said Act is amended by inserting the following section after section 776.29.1:

“776.29.2. Notwithstanding section 776.29.1, the amount of \$26,000 mentioned in section 776.29 shall, where it is to be used for the taxation year 2004, be adjusted in such a manner that the amount used for that taxation year is equal to the total of the amount used for the taxation year 2003 and the product obtained by multiplying that amount so used by 2%.

Where the amount that results from the adjustment provided for in the first paragraph is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.”

(2) Subsection 1 applies from the taxation year 2004.

217. (1) Section 776.67 of the said Act is amended by replacing subparagraph *b* of the first paragraph by the following subparagraph:

“(b) where subparagraph *a* does not apply, the Minister determines the tax payable by the individual for the year under this Part with reference to the provisions of this Book if, as a consequence of the application of those provisions, the tax payable by the individual for the year is lesser than the amount that would be the individual’s tax payable for the year under this Part if this Book were not taken into account, or another individual is, pursuant to section 776.41.5 or 776.78, entitled to deduct an amount in computing that other individual’s tax otherwise payable for the year under this Part.”

(2) Subsection 1 applies from the taxation year 2003.

218. (1) Section 776.76 of the said Act is amended by inserting “772.15,” before “776” in subparagraph *a* of the first paragraph.

(2) Subsection 1 applies from the taxation year 2002.

219. Section 776.77 of the said Act is amended by replacing “5”, wherever it appears in the third paragraph, by “\$5”.

220. (1) The said Act is amended by inserting the following section after section 776.77.1:

“776.77.1.1. Notwithstanding section 776.77.1, each of the amounts referred to in the third paragraph of that section shall, where it is to be used for the taxation year 2004, be adjusted in such a manner that the amount used for that taxation year is equal to the total of the amount used for the taxation year 2003 and the product obtained by multiplying that amount so used by 2%.”

(2) Subsection 1 applies from the taxation year 2004.

221. (1) Section 776.77.2 of the said Act is replaced by the following section:

“776.77.2. Where the amount that results from the adjustment provided for in section 776.77.1 or 776.77.1.1 is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.”

(2) Subsection 1 applies from the taxation year 2004.

222. (1) Section 776.79 of the said Act is amended by inserting “772.15,” before “776”.

(2) Subsection 1 applies from the taxation year 2002.

223. (1) Section 785.0.1 of the said Act, enacted by section 153 of chapter 8 of the statutes of 2004, is amended by replacing “out of the NISA Fund No. 2” in paragraph *i* of the definition of “excluded right or interest” by “out of a NISA Fund No. 2 or out of a farm income stabilization account”.

(2) Subsection 1 has effect from 2 November 2001.

224. (1) Section 965.1 of the said Act is amended by replacing paragraph *j* by the following paragraph:

“(j) “total income”, in respect of an individual for a year means the amount by which the individual’s income for the year that would be determined under section 28 but for paragraphs *k.1* to *k.5* of section 311, section 311.1 where that section applies to a social assistance payment other than a payment received as last resort financial assistance under the Act respecting income support, employment assistance and social solidarity (chapter S-32.001) or as similar government assistance, and paragraph *a* of section 317 where that paragraph refers to the amount of any supplement or allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or to a payment similar to such a supplement or allowance made under a law of a province, exceeds the amount the individual deducts for the year in computing the individual’s taxable income under Titles VI.5 and VI.5.1 of Book IV;”.

(2) Subsection 1 applies from the taxation year 2003.

225. (1) Sections 965.6.9 to 965.6.10.1 of the said Act are replaced by the following sections:

“965.6.9. The expression “eligible employee of a corporation” means any individual resident in Québec who is an employee of the corporation or of a subsidiary not less than 90% of the shares of the issued capital stock of which having full voting rights under all circumstances are owned directly or indirectly by the corporation and who, immediately before the acquisition of the shares, holds directly, indirectly or with related persons who are not employees of the corporation or of such a subsidiary, less than 5% of the shares of the issued capital stock of the corporation.

“965.6.10. An eligible employee of a holding company which is a subsidiary of an insurer within the meaning of paragraph *a* of section 1 of the Act respecting insurance (chapter A-32) also means any individual resident in Québec who is an employee of a mutual insurance company, within the meaning of paragraph *c* of section 1 of the Act respecting insurance or a mutual general insurance company incorporated under a special Act of Québec, which owns, directly or indirectly, not less than 90% of the shares of the issued capital stock of the corporation having full voting rights under all circumstances, and who, immediately before the acquisition of the shares of the corporation, holds directly, indirectly or with related persons who are not employees of the corporation or of such a company, less than 5% of the shares of the capital stock of the corporation.

“965.6.10.1. A stock ownership plan may provide that an eligible employee of a corporation also designates any individual resident in Québec who is an employee of a subsidiary more than 50% of the shares of the issued capital stock of which having full voting rights under all circumstances are owned directly or indirectly by the corporation, or of a company referred to in section 965.6.10 which owns, directly or indirectly, more than 50% of the shares of the issued capital stock of the corporation having full voting rights under all circumstances and who, immediately before the acquisition of the shares, holds directly, indirectly or with related persons who are not employees of the corporation or of such a subsidiary or company, less than 5% of the shares of the issued capital stock of the corporation.”

(2) Subsection 1, where it replaces section 965.6.10.1 of the said Act, has effect from 17 May 1989.

226. (1) Section 965.10 of the said Act is amended

(1) by replacing the portion before paragraph *a* of the French text by the following:

“965.10. Une société qui fait une émission publique d’actions, une émission de valeurs convertibles ou une émission de titres convertibles est une société admissible si, à la date du visa du prospectus définitif ou de la dispense de prospectus, les conditions suivantes sont remplies:”;

(2) by striking out “et” at the end of the French text of paragraph *d*;

(3) by striking out “unless throughout the 12 preceding months, a class of shares of its capital stock was listed on a Canadian stock exchange,” in the portion of paragraph *e* before subparagraph *i*.

(2) Paragraph 3 of subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

227. (1) The said Act is amended by inserting the following sections after section 965.10.1.1:

“965.10.1.2. For the purposes of paragraph *d* of section 965.10, where, between the end of the last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus and the date of that receipt or of that exemption, a substantial change occurs in relation to the composition of the property of a corporation and the Minister is of the opinion that the objectives of this Title are met, the Minister may, for the purpose of determining whether the value of the property of the corporation that are referred to in that paragraph *d* exceed 50%, consult any document the Minister considers appropriate in the circumstances, including the last audited interim financial statements of the corporation, prepared before the date of the receipt for the final prospectus or of the exemption from filing a prospectus and submitted to the shareholders.

For the purposes of the first paragraph, a substantial change in relation to the composition of the property of a corporation means a decrease of at least 25 points between the percentage representing the proportion that the value of the property referred to in paragraph *d* of section 965.10 is of the total value of its property, as shown in its financial statements submitted to the shareholders for its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, and the percentage representing the proportion that the value of the property referred to in paragraph *d* of section 965.10 is of the total value of its property, as shown in its last interim financial statements, or, where such financial statements have not been prepared, in any other document the Minister considers appropriate in the circumstances.

“965.10.1.3. For the purposes of subparagraph *i* of paragraph *e* of section 965.10, a corporation is deemed to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders, where

(*a*) a class of shares of its capital stock is, throughout the 12-month period preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, listed on a Canadian stock exchange; and

(*b*) a person, other than such an insider or a person related thereto, or a partnership provides the corporation, in the period referred to in paragraph *a*, with services under a service contract and the corporation would normally require the services of more than five full-time employees if those services were not provided.”

(2) Subsection 1, where it enacts section 965.10.1.2 of the said Act, applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 30 November 2002.

(3) Subsection 1, where it enacts section 965.10.1.3 of the said Act, applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

228. (1) Section 965.10.2 of the said Act is amended

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

“965.10.2. For the purposes of section 965.10, where a corporation results from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed between the time of the amalgamation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement in paragraph *e* of section 965.10 shall be replaced by the requirement that that corporation have, throughout the period from the time of the amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders and for one of the predecessor corporations to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons related to such insiders

(*a*) throughout a 12-month period that includes the time of the amalgamation and that is established as if the period from the time of the amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the predecessor corporation and not to the corporation resulting from the amalgamation; or

(*b*) throughout a 6-month period that includes the time of the amalgamation and that is established as if the period from the time of the amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the predecessor corporation and not to the corporation resulting from the amalgamation, where”;

(2) by adding the following paragraph:

“For the purposes of subparagraph *a* of the first paragraph, a predecessor corporation is deemed to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders, where

(a) a class of shares of its capital stock is, throughout the 12-month period preceding the time of the amalgamation, listed on a Canadian stock exchange; and

(b) a person, other than such an insider or a person related thereto, or a partnership provides the predecessor corporation, in the period referred to in subparagraph *a*, with services under a service contract and that predecessor corporation would normally require the services of more than five full-time employees if those services were not provided.”

(2) Paragraph 1 of subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 30 November 2002. However, where the portion of section 965.10.2 of the said Act before paragraph *a* applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted before 1 January 2003, it shall be read as follows:

“**965.10.2.** For the purposes of section 965.10, where a corporation results from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed between the time of the amalgamation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement in paragraph *e* of section 965.10 shall be replaced by the requirement that that corporation have, throughout the period from the time of the amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders and, unless, throughout the 12 months preceding the time of the amalgamation, a class of shares of its capital stock was listed on a Canadian stock exchange, for one of the predecessor corporations to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons related to such insiders”.

(3) Paragraph 2 of subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

229. (1) Section 965.10.3 of the said Act is amended

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

“**965.10.3.** For the purposes of section 965.10.2, where the predecessor corporation referred to in that section is itself a corporation resulting from an amalgamation within the meaning of section 544, in this section referred to as

the “original amalgamation”, and a period of at least 12 months has not elapsed between the time of the original amalgamation and the time it became a predecessor corporation, in this section referred to as the “time of the subsequent amalgamation”, the requirement last provided in its respect in the first paragraph of section 965.10.2 concerning the number of employees shall be replaced by the requirement that that corporation have, throughout the period from the time of the original amalgamation to the time of the subsequent amalgamation, not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders and for one of the predecessor corporations to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons related to such insiders

(a) throughout a 12-month period that includes the time of the original amalgamation and that is established as if the period from the time of the original amalgamation to the time of the subsequent amalgamation were applicable to the predecessor corporation and not to the corporation resulting from the amalgamation; or

(b) throughout a 6-month period that includes the time of the original amalgamation and that is established as if the period from the time of the original amalgamation to the time of the subsequent amalgamation were applicable to the predecessor corporation and not to the corporation resulting from the amalgamation, where”;

(2) by inserting the following paragraph after the first paragraph:

“For the purposes of subparagraph *a* of the first paragraph, a predecessor corporation is deemed to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders, where

(a) a class of shares of its capital stock is, throughout the 12-month period preceding the time of the original amalgamation, listed on a Canadian stock exchange; and

(b) a person, other than such an insider or a person related thereto, or a partnership provides the predecessor corporation, in the period referred to in subparagraph *a*, with services under a service contract and that predecessor corporation would normally require the services of more than five full-time employees if those services were not provided.”;

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

“For the purposes of the first paragraph, where the predecessor corporation referred to lastly in that paragraph, or a predecessor corporation which is referred to lastly in that paragraph as a result of the application of this paragraph, is itself a corporation resulting from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed

between the time of the original amalgamation and the time of the subsequent amalgamation, the rule set out in the first paragraph applies in relation to the requirement in its respect concerning the number of employees prescribed lastly in that paragraph.”

(2) Paragraphs 1 and 3 of subsection 1 apply in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 30 November 2002. However, where the portion of section 965.10.3 of the said Act before subparagraph *a* of the first paragraph applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted before 1 January 2003, it shall be read as follows:

“965.10.3. For the purposes of section 965.10.2, where the predecessor corporation referred to in that section is itself a corporation resulting from an amalgamation within the meaning of section 544, in this section referred to as the “original amalgamation”, and a period of at least 12 months has not elapsed between the time of the original amalgamation and the time it became a predecessor corporation, in this section referred to as the “time of the subsequent amalgamation”, the requirement last provided in its respect in section 965.10.2 concerning the number of employees shall be replaced by the requirement that that corporation have, throughout the period from the time of the original amalgamation to the time of the subsequent amalgamation, not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders and, unless, throughout the 12 months preceding the time of the original amalgamation, a class of shares of its capital stock was listed on a Canadian stock exchange, for one of the predecessor corporations to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons related to such insiders”.

(3) Paragraph 2 of subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

230. (1) Section 965.10.3.1 of the said Act is amended

(1) by replacing “to whom they are related” in paragraph *a* by “related to such insiders”;

(2) by replacing the portion of paragraph *b* before subparagraph 1 of subparagraph ii by the following:

“(b) the subsidiary shall have not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders

i. throughout a 12-month period that includes the commencement of its winding-up and that is established as if the period from the commencement of its winding-up to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the subsidiary and not to the parent corporation, or

ii. throughout a 6-month period that includes the commencement of its winding-up and that is established as if the period from the commencement of its winding-up to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the subsidiary and not to the parent corporation, where”;

(3) by adding the following paragraph:

“For the purposes of subparagraph *i* of subparagraph *b* of the first paragraph, a subsidiary is deemed to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders, where

(*a*) a class of shares of its capital stock is, throughout the 12-month period immediately preceding the commencement of its winding-up, listed on a Canadian stock exchange; and

(*b*) a person, other than such an insider or a person related thereto, or a partnership provides the subsidiary, in the period referred to in subparagraph *a*, with services under a service contract and the subsidiary would normally require the services of more than five full-time employees if those services were not provided.”

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 30 November 2002. However, where the portion of paragraph *b* of section 965.10.3.1 of the said Act before subparagraph *i* applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted before 1 January 2003, it shall be read as follows:

“(b) unless throughout the 12-month period immediately preceding the commencement of its winding-up, a class of shares of its capital stock was listed on a Canadian stock exchange, the subsidiary shall have not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders”.

(3) Paragraph 3 of subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

231. (1) Section 965.10.3.2 of the said Act is amended

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

“965.10.3.2. For the purposes of section 965.10.3.1, where the subsidiary, in this section referred to as the “particular subsidiary”, does not meet the requirement of subparagraph *b* of the first paragraph of that section and a winding-up as described in section 556 of a subsidiary within the meaning of that section, in this section referred to as the “other subsidiary”, in respect of which the particular subsidiary is, immediately before the commencement of the winding-up, the parent, within the meaning of that section, commences or terminates within the 12-month period immediately preceding the commencement of the winding-up of the particular subsidiary, or commences before and terminates after that period, the requirement is replaced by the following requirements:”;

(2) by replacing “to whom they are related” in subparagraph *a* of the first paragraph by “related to such insiders”;

(3) by replacing the portion of subparagraph *b* of the first paragraph before subparagraph 1 of subparagraph ii by the following:

“(b) the other subsidiary shall have not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders

i. throughout a 12-month period that includes the commencement of its winding-up and that is established as if the period from the commencement of its winding-up to the commencement of the winding-up of the particular subsidiary were applicable to the other subsidiary and not to the particular subsidiary, or

ii. throughout a 6-month period that includes the commencement of its winding-up and that is established as if the period from the commencement of its winding-up to the commencement of the winding-up of the particular subsidiary were applicable to the other subsidiary and not to the particular subsidiary, where”;

(4) by inserting the following paragraph after the first paragraph:

“For the purposes of subparagraph i of subparagraph *b* of the first paragraph, the other subsidiary is deemed to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders, where

(a) a class of shares of its capital stock is, throughout the 12-month period immediately preceding the commencement of its winding-up, listed on a Canadian stock exchange; and

(b) a person, other than such an insider or a person related thereto, or a partnership provides the other subsidiary, in the period referred to in subparagraph *a*, with services under a service contract and that other subsidiary would normally require the services of more than five full-time employees if those services were not provided.”

(2) Paragraphs 1 to 3 of subsection 1 apply in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 30 November 2002. However, where the first paragraph of section 965.10.3.2 of the said Act applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted before 1 January 2003,

(1) the portion before paragraph *a* shall be read with the reference to “subparagraph *b* of the first paragraph” replaced by a reference to “paragraph *b*”; and

(2) the portion of subparagraph *b* before subparagraph *i* shall be read as follows:

“(b) unless throughout the 12-month period immediately preceding the commencement of its winding-up, a class of shares of its capital stock was listed on a Canadian stock exchange, the other subsidiary shall have not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders”.

(3) Paragraph 4 of subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

232. (1) Section 965.10.4 of the said Act is amended

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

“(a) throughout a 12-month period that includes the time of the beginning of the carrying on of the particular business by the corporation and that is established as if the period from the time of the beginning of that carrying on of the particular business to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the other taxpayer and not to the corporation; or

“(b) throughout a 6-month period that includes the time of the beginning of the carrying on of the particular business by the corporation and that is established as if the period from the time of the beginning of that carrying on

of the particular business to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the other taxpayer and not to the corporation, where”;

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

“(a) the acquisition or rental, by the corporation, of property from the other taxpayer who, throughout the part of the period described in subparagraph *a* or *b* of the first paragraph preceding that acquisition or rental, carried on a business in which the other taxpayer used that property; or”;

(3) by adding the following paragraph after the second paragraph:

“For the purposes of subparagraph *a* of the first paragraph, the other taxpayer is deemed to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders, where

(a) a class of shares of its capital stock is, throughout the 12-month period preceding the time of the beginning of the carrying on of the particular business by the corporation, listed on a Canadian stock exchange; and

(b) a person, other than such an insider or a person related thereto, or a partnership provides the other taxpayer, in the period referred to in subparagraph *a*, with services under a service contract and that other taxpayer would normally require the services of more than five full-time employees if those services were not provided.”

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 30 November 2002.

(3) Paragraph 3 of subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

233. (1) Section 965.11.5 of the said Act is amended

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

“(d) one of the subsidiary corporations meets the requirements of paragraphs *a* to *d* of section 965.10 and had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders”;

(2) by adding the following paragraph:

“For the purposes of subparagraph *i* of subparagraph *d* of the first paragraph, a subsidiary is deemed to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders, where

(*a*) a class of shares of its capital stock is, throughout the 12-month period preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, listed on a Canadian stock exchange; and

(*b*) a person, other than such an insider or a person related thereto, or a partnership provides the subsidiary, in the period referred to in subparagraph *a*, with services under a service contract and the subsidiary would normally require the services of more than five full-time employees if those services were not provided.”

(2) Subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

234. (1) Section 965.11.6 of the said Act is amended by replacing “paragraphs *a* to *c*” in paragraph *a* by “subparagraphs *a* to *c* of the first paragraph”.

(2) Subsection 1 has effect from 1 January 2003.

235. (1) Section 965.11.19.4 of the said Act is amended by replacing “For the purposes of paragraph *e* of section 965.10, sections 965.10.2 and 965.10.3, paragraph *b* of section 965.10.3.1, subparagraph *b* of the first paragraph of section 965.10.3.2 and paragraph *d* of section 965.11.5” by “For the purposes of sections 965.10, 965.10.2 to 965.10.3.2 and 965.11.5”.

(2) Subsection 1 has effect from 1 January 2003.

236. (1) Section 965.17.2 of the said Act is amended

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

“(c) it is a corporation that had not fewer than five full-time employees who were not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons that were related to such insiders”;

(2) by inserting the following paragraph after the second paragraph:

“For the purposes of subparagraph *i* of subparagraph *c* of the first paragraph, a corporation is deemed to have had not fewer than five full-time employees

who were not insiders within the meaning of section 89 of the Securities Act or persons that were related to such insiders, where

(a) a class of shares of its capital stock is, throughout the 12-month period preceding the date of the receipt for the final prospectus or of the exemption from filing a prospectus, listed on a Canadian stock exchange; and

(b) a person, other than such an insider or a person related thereto, or a partnership provides the corporation, in the period referred to in subparagraph *a*, with services under a service contract and the corporation would normally require the services of more than five full-time employees if those services were not provided.”;

(3) by replacing “For the purposes of subparagraph *c* of the first paragraph” in the third paragraph by “For the purposes of subparagraph *a* of the third paragraph”.

(2) Subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

237. (1) Section 965.17.3.3 of the said Act is amended

(1) by replacing subparagraphs 1 and 2 of subparagraph iii of subparagraph *b* of the first paragraph by the following subparagraphs:

“(1) throughout a 12-month period that includes the time of the beginning of the carrying on of the particular business by the subsidiary and that is established as if the period from the time of the beginning of that carrying on of the particular business to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the other taxpayer and not to the subsidiary, or

“(2) throughout a 6-month period that includes the time of the beginning of the carrying on of the particular business by the subsidiary and that is established as if the period from the time of the beginning of that carrying on of the particular business to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the other taxpayer and not to the subsidiary, where the conditions set out in the second paragraph are met.”;

(2) by replacing subparagraph *a* of the third paragraph by the following subparagraph:

“(a) the acquisition or rental, by the subsidiary, of property from the other taxpayer who, throughout the part of the period described in subparagraph 1 or 2 of subparagraph iii of subparagraph *b* of the first paragraph preceding that acquisition or rental, carried on a business in which the other taxpayer used that property; or”;

(3) by adding the following paragraph after the third paragraph:

“For the purposes of subparagraph 1 of subparagraph iii of subparagraph *b* of the first paragraph, the other taxpayer is deemed to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders, where

(a) a class of shares of its capital stock is, throughout the 12-month period preceding the time of the beginning of the carrying on of the particular business by the subsidiary, listed on a Canadian stock exchange; and

(b) a person, other than such an insider or a person related thereto, or a partnership provides the other taxpayer, in the period referred to in subparagraph *a*, with services under a service contract and that other taxpayer would normally require the services of more than five full-time employees if those services were not provided.”

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 30 November 2002.

(3) Paragraph 3 of subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

238. (1) Section 965.17.5.2 of the said Act is amended

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

“i. throughout a 12-month period that includes the time of the beginning of the carrying on of the particular business by the qualified corporation and that is established as if the period from the time of the beginning of that carrying on of the particular business to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the other taxpayer and not to the qualified corporation, or

“ii. throughout a 6-month period that includes the time of the beginning of the carrying on of the particular business by the qualified corporation and that is established as if the period from the time of the beginning of that carrying on of the particular business to the date of the receipt for the final prospectus or of the exemption from filing a prospectus were applicable to the other taxpayer and not to the qualified corporation, where”;

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

“(a) the acquisition or rental, by the qualified corporation, of property from the other taxpayer who, throughout the part of the period described in subparagraph i or ii of subparagraph c of the first paragraph preceding that acquisition or rental, carried on a business in which the other taxpayer used that property; or”;

(3) by adding the following paragraph after the second paragraph:

“For the purposes of subparagraph i of subparagraph c of the first paragraph, the other taxpayer is deemed to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act or persons related to such insiders, where

(a) a class of shares of its capital stock is, throughout the 12-month period preceding the time of the beginning of the carrying on of the particular business by the qualified corporation, listed on a Canadian stock exchange; and

(b) a person, other than such an insider or a person related thereto, or a partnership provides the other taxpayer, in the period referred to in subparagraph a, with services under a service contract and that other taxpayer would normally require the services of more than five full-time employees if those services were not provided.”

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 30 November 2002.

(3) Paragraph 3 of subsection 1 applies in respect of public share issues, convertible security issues or non-guaranteed convertible security issues, in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 December 2002.

239. (1) Section 965.31.6 of the said Act is amended by replacing “section 1029.8.17” in paragraph b by “the first paragraph of section 1029.6.0.0.1”.

(2) Subsection 1 has effect from 20 December 2001.

240. (1) Section 965.34.3 of the said Act is amended by replacing “of section 1029.8.17” by “assigned by the first paragraph of section 1029.6.0.0.1” in the following provisions:

— paragraph b.1;

— paragraph c.

(2) Subsection 1 has effect from 20 December 2001.

241. (1) Section 965.36 of the said Act is replaced by the following section:

“965.36. The adjusted cost to an individual of a qualifying security is obtained by multiplying the cost to the individual of the security, determined without taking into account the borrowing costs or other costs related to the acquisition of the security incurred by the individual or by a qualified partnership, by

(a) 100% in the case of a qualifying security, other than such a security referred to in the second paragraph, acquired after 31 December 1985 and before 13 June 2003; and

(b) 75% in the case of a qualifying security, other than such a security referred to in the second paragraph, acquired after 12 June 2003.

The adjusted cost of a qualifying security acquired by an individual within the scope of a workers investment program referred to in Division 4.1 of the cooperative investment plan is obtained by multiplying the cost to the individual of the security, determined without taking into account the borrowing costs or other costs related to the acquisition incurred by the individual, by

(a) 125%, where the individual acquires the security after 16 May 1989 and before 13 June 2003; and

(b) 93.75%, where the individual acquires the security after 12 June 2003.”

(2) Subsection 1 has effect from 12 June 2003.

242. (1) Section 965.36.1 of the said Act, amended by section 135 of chapter 29 of the statutes of 2003, is replaced by the following section:

“965.36.1. Where a qualifying security is acquired by an individual within the scope of the issue of that security by a qualified cooperative that holds, for the year in which the security is issued, a valid certificate issued by the Minister of Economic and Regional Development and Research certifying that the qualified cooperative is a small or medium-sized cooperative, within the meaning of the cooperative investment plan, the following rules apply:

(a) the percentages specified in subparagraph *a* of the first and second paragraphs of section 965.36 shall be increased by 25 points, where the qualifying security is acquired after 2 May 1991 and before 13 June 2003; and

(b) the percentages specified in subparagraph *b* of the first and second paragraphs of section 965.36 shall be increased by 18.75 points, where the qualifying security is acquired after 12 June 2003.”

(2) Subsection 1 has effect from 12 June 2003. However, where section 965.36.1 of the said Act applies before 23 March 2004, the reference therein to

“Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Economic and Regional Development”.

243. (1) The said Act is amended by inserting the following after section 985.35:

“CHAPTER III.4

“POLITICAL EDUCATION ORGANIZATIONS

“**985.36.** In this chapter,

“disbursement quota” of a recognized political education organization for a taxation year means an amount equal to 80% of the aggregate of all amounts each of which is

(a) a gift for which the organization issued, in its preceding taxation year and after 18 December 2002, a receipt described in section 712 or 752.0.10.3, other than

i. a gift of capital received by the organization by way of bequest or inheritance, or

ii. a gift received by the organization subject to a trust or direction to the effect that the property given, or property substituted therefor, is to be held by the organization for a period of not less than 10 years; or

(b) a gift received by the organization in a preceding taxation year and for which it issued, after 18 December 2002, a receipt described in section 712 or 752.0.10.3, to the extent that the amount of the gift is expended in the year and was excluded from the disbursement quota of the organization because of subparagraph i or ii of paragraph a;

“qualified donee” means a donee that is a recognized political education organization constituted for purposes similar to those for which the recognized political education organization making the gift was constituted;

“recognized political education organization” means a non-profit organization recognized by the Minister, on the recommendation of the Minister for the Reform of Democratic Institutions, as having the mission to promote Québec sovereignty or Canadian unity through educational means and whose recognition is in force, other than a registered charity or a political party or an authority of such a party;

“taxation year” means, in the case of a recognized political education organization, a fiscal period.

The recognition granted by the Minister to an organization for the purposes of the definition of “recognized political education organization” in the first paragraph takes effect from the latest of

- (a) 19 December 2002;
- (b) 1 January of the year in which the recognition is granted; and
- (c) the date on which the organization was constituted.

“985.37. A recognized political education organization is required to expend, in any taxation year, on educational activities promoting Québec sovereignty or Canadian unity carried on by it or by way of gifts made by it to qualified donees, amounts that are at least equal to its disbursement quota for the year.

“985.38. The Minister may, on application made to the Minister in prescribed form by a recognized political education organization, specify an amount in respect of the organization for a taxation year and, for the purposes of section 985.37, that amount is deemed to be an amount expended by the organization in the year on educational activities promoting Québec sovereignty or Canadian unity carried on by it.

“985.39. Where a recognized political education organization has expended a disbursement excess for a particular taxation year, the organization may, for the purpose of determining whether it complies with the requirement of section 985.37 for its preceding taxation year or any of its five subsequent taxation years, include in the computation of the amounts expended on educational activities promoting Québec sovereignty or Canadian unity carried on by it or by way of gifts made by it to qualified donees, such portion of the disbursement excess for the particular year as was not so included under this section for any preceding taxation year.

The disbursement excess referred to in the first paragraph means the amount by which the aggregate of all amounts expended in the particular year by the recognized political education organization on educational activities promoting Québec sovereignty or Canadian unity carried on by it or by way of gifts made to qualified donees exceeds its disbursement quota for that year.

“985.40. A recognized political education organization may, with the approval in writing of the Minister, accumulate property for a particular purpose, on such terms and conditions, and over such period of time, as specified in the approval.

Property accumulated in accordance with the first paragraph, including any income related thereto, is deemed to have been expended on educational activities promoting Québec sovereignty or Canadian unity carried on by the recognized political education organization in the taxation year in which the property was so accumulated and not to have been expended in any other taxation year.

However, where property accumulated by a recognized political education organization in accordance with the first paragraph, including any income related thereto, is not used for the particular purpose provided for in that paragraph either before the expiration of the period referred to in that paragraph or at an earlier time at which the organization decides not to use the property for that purpose, it is deemed to be a gift for which the organization issued a receipt described in section 712 or 752.0.10.3 in its taxation year in which such period expires or such decision is made, as the case may be.

“985.41. Every recognized political education organization shall, within six months from the end of each of its taxation years, file with the Minister an information return for the year, in prescribed form and containing the prescribed information, without notice or demand therefor.

“985.42. The Minister may, in the manner described in sections 1064 and 1065, revoke the recognition of a recognized political education organization where the organization fails to comply with the requirement of section 985.37 for a taxation year.

“985.43. Where a recognized political education organization has made a gift to another recognized political education organization and it may reasonably be considered that one of the main purposes of making the gift was to unduly delay the performance of the obligation to expend amounts on educational activities promoting Québec sovereignty or Canadian unity, the Minister may, in the manner described in sections 1064 and 1065, revoke the recognition of the recognized political education organization that made the gift and, where it may reasonably be considered that the organizations acted in concert, of the other recognized political education organization.

“985.44. Sections 1063 to 1065 and Division V of Chapter III and sections 93.1.15 and 93.1.17 to 93.1.22 of the Act respecting the Ministère du Revenu (chapter M-31) apply, with the necessary modifications, to a recognized political education organization as if it were a registered charity.”

(2) Subsection 1 applies to taxation years that end after 18 December 2002. However, the reference to “Minister for the Reform of Democratic Institutions” in the definition of “recognized political education organization” in the first paragraph of section 985.36 of the said Act shall, in respect of a recommendation referred to in that definition that was made before 29 April 2003, be read as a reference to “Minister responsible for the Reform of Democratic Institutions”.

244. (1) Section 1000.2 of the said Act is amended by replacing “or of the second paragraph of that class,” and “mentioned in that subparagraph *t* or that second paragraph, as the case may be,” by “or of the second or fourth paragraph of that class,” and “mentioned in that subparagraph *t* or that second or fourth paragraph of that class, as the case may be,” respectively.

(2) Subsection 1 has effect from 15 March 2000.

245. (1) Section 1000.3 of the said Act is amended by replacing “or of the second paragraph of that class,” and “mentioned in that subparagraph *t* or that second paragraph, as the case may be,” by “or of the second or fourth paragraph of that class,” and “mentioned in that subparagraph *t* or that second or fourth paragraph of that class, as the case may be,” respectively.

(2) Subsection 1 has effect from 15 March 2000.

246. (1) Section 1010.0.0.1 of the said Act, amended by section 10 of chapter 4 of the statutes of 2004, is again amended by replacing “or of the second paragraph of that class,” and “mentioned in that subparagraph *t* or that second paragraph, as the case may be,” in the portion of the first paragraph before subparagraph *a* by “or of the second or fourth paragraph of that class,” and “mentioned in that subparagraph *t* or that second or fourth paragraph of that class, as the case may be,” respectively.

(2) Subsection 1 has effect from 15 March 2000.

247. (1) Section 1012 of the said Act is replaced by the following section:

“**1012.** Where a taxpayer has filed for a taxation year the fiscal return required by section 1000 and an amount referred to in section 1012.1 is subsequently included in computing the taxpayer’s taxable income, claimed as a deduction or deemed to be paid under Chapter III.1 of Title III on account of the taxpayer’s tax payable, as the case may be, by or on behalf of the taxpayer for the taxation year by filing with the Minister, on or before the taxpayer’s filing-due date for the subsequent taxation year in respect of that amount, a prescribed form amending the fiscal return for the taxation year, the Minister shall redetermine the taxpayer’s tax for any relevant taxation year, other than a taxation year preceding the taxation year, to take into account the amount so included in computing the taxpayer’s taxable income, claimed as a deduction or deemed to be paid.”

(2) Subsection 1 applies to taxation years that end after 20 August 2002.

248. (1) Section 1012.1 of the said Act, amended by section 178 of chapter 8 of the statutes of 2004, is again amended

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

“**1012.1.** For the purposes of section 1012, the amount that may be included in computing the taxpayer’s taxable income, claimed as a deduction or deemed to be paid under Chapter III.1 of Title III on account of the taxpayer’s tax payable by or on behalf of the taxpayer for a taxation year is the amount that the taxpayer may include, deduct or be deemed to have paid, as the case may be, for that taxation year under”;

(2) by inserting the following paragraph after paragraph *d.1.1*:

“(d.1.2) section 1029.8.36.171.2 in respect of the unused portion of the refundable tax credit, within the meaning of section 1029.8.36.167, for a subsequent taxation year;”.

(2) Subsection 1 applies to taxation years that end after 20 August 2002.

249. (1) Section 1015 of the said Act, amended by section 127 of chapter 9 of the statutes of 2001, is again amended by adding the following subparagraph after subparagraph *r* of the second paragraph:

“(s) a payment made in connection with the closing of a farm income stabilization account, pursuant to sections 45 and 46 of the Farm Income Stabilization Account program established under the Act respecting La Financière agricole du Québec (chapter L-0.1).”

(2) Subsection 1 has effect from 2 November 2001.

250. (1) Section 1015.0.1 of the said Act is amended, in the first paragraph,

(1) by replacing subparagraphs *a* and *b* by the following subparagraphs:

“(a) the certificate referred to in the definition of “foreign researcher” in section 737.19 has been issued in respect of the individual in relation to the individual’s employment with an eligible employer, within the meaning of that section, and the certificate is valid for that period or part of the period;

“(b) the certificate referred to in paragraph *d* of the definition of “foreign researcher on a post-doctoral internship” in the first paragraph of section 737.22.0.0.1 has been issued in respect of the individual in relation to the individual’s employment with an eligible employer, within the meaning of that paragraph, and the certificate is valid for that period or part of the period;”;

(2) by replacing subparagraphs *d* and *e* by the following subparagraphs:

“(d) the certificate referred to in paragraph *d* of the definition of “foreign specialist” in the first paragraph of section 737.22.0.1 has been issued in respect of the individual in relation to the individual’s employment with an eligible employer, within the meaning of that paragraph, and the certificate is valid for that period or part of the period;

“(e) the certificate referred to in paragraph *d* of the definition of “foreign professor” in the first paragraph of section 737.22.0.5 has been issued in respect of the individual in relation to the individual’s employment with an eligible employer, within the meaning of that paragraph, and the certificate is valid for that period or part of the period; or”.

(2) Subsection 1 has effect from 1 January 2001. However, where subparagraphs *b* and *e* of the first paragraph of section 1015.0.1 of the said Act apply before the taxation year 2003, they shall be read as follows:

“(b) the certificate referred to in the definition of “foreign researcher on a post-doctoral internship” in section 737.22.0.0.1 has been issued in respect of the individual in relation to the individual’s employment with an eligible employer, within the meaning of that section, and the certificate is valid for that period or part of the period;

“(e) the certificate referred to in the definition of “foreign professor” in section 737.22.0.5 has been issued in respect of the individual in relation to the individual’s employment with an eligible employer, within the meaning of that section, and the certificate is valid for that period or part of the period; or”.

251. Section 1015.3 of the said Act is amended by replacing “5”, wherever it appears in the fifth paragraph, by “\$5”.

252. (1) The said Act is amended by inserting the following section after section 1015.4:

“**1015.5.** Notwithstanding the third paragraph of section 1015.3, the amount of \$8,840 to which the second paragraph of that section refers shall, where it is to be used for the taxation year 2004, be adjusted in such a manner that the amount used for that taxation year is equal to the total of the amount used for the taxation year 2003 and the product obtained by multiplying that amount so used by 2%.

Where the amount that results from the adjustment provided for in the first paragraph is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.”

(2) Subsection 1 applies from the taxation year 2004.

253. (1) Section 1029.6.0.0.1 of the said Act is amended, in the second paragraph,

(1) by replacing “II.6.14.1” by “II.6.15” in the following provisions:

— the portion before subparagraph *a*;

— subparagraph *b*;

(2) by replacing subparagraphs i.1 and ii of subparagraph *c* by the following subparagraphs:

“i.1. an amount that a corporation is deemed to have paid for a taxation year under subsection 3 of section 125.4 or 125.5 of the Income Tax Act,

“ii. the amount of financial assistance granted by the Conseil des arts et des lettres du Québec, the Société de développement des entreprises culturelles, the Canada Council for the Arts or the Canadian Independent Film and Video Fund,”;

(3) by striking out subparagraph vii of subparagraph *c*;

(4) by replacing subparagraph *e* by the following subparagraph:

“(e) in the case of Division II.6.0.0.3, government assistance or non-government assistance does not include an amount deemed to have been paid to the Minister for a taxation year under that division, or the amount of financial assistance granted by the Conseil des arts et des lettres du Québec, the Société de développement des entreprises culturelles, the Canada Council for the Arts, Telefilm Canada out of the Canada Music Fund, Fondation Musicaction or the Foundation to Assist Canadian Talent on Records;”;

(5) by inserting the following subparagraph after subparagraph *e*:

“(e.1) in the case of Division II.6.0.0.4, government assistance or non-government assistance does not include an amount deemed to have been paid to the Minister for a taxation year under that division, or the amount of financial assistance granted by the Conseil des arts et des lettres du Québec, the Société de développement des entreprises culturelles, the Canada Council for the Arts, Fondation Musicaction or the Foundation to Assist Canadian Talent on Records;”.

(2) Paragraph 1 of subsection 1 applies in respect of eligible expenses incurred after 12 June 2003.

(3) Paragraph 2 of subsection 1 applies in respect of amounts received or to be received after 11 March 2003. In addition, paragraph 2 of subsection 1 applies in respect of taxation years of a corporation in relation to which any of the following situations applies:

(1) the time limits provided for in subsection 2 of section 1010 of the said Act had not expired on 11 March 2003;

(2) a notice of objection has been notified to the Minister of Revenue before 11 March 2003 or an appeal has been filed, before that date, against a notice of assessment, where the subject of the contestation pertains to an amount of assistance paid by the Conseil des arts et des lettres du Québec or to an amount deemed to have been paid under subsection 3 of section 125.5 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement); or

(3) the corporation has filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the said Act before 11 March 2003.

(4) Notwithstanding sections 1007 and 1010 to 1011 of the said Act, the Minister of Revenue shall make, under Part I of the said Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6 of Chapter III.1 of Title III of Book IX of that Part I by a corporation and such assessments or reassessments of interest or penalties

payable by the corporation as are necessary to give effect to paragraph 2 of subsection 1, subsection 3 and this subsection. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

(5) Paragraph 3 of subsection 1 applies in respect of any of the following properties, subject to subsection 6:

(1) a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003;

(2) a property for which, notwithstanding the filing of an advance ruling with the Société de développement des entreprises culturelles before 1 May 2003, the Société de développement des entreprises culturelles considers that the work surrounding the property was not sufficiently advanced on 11 March 2003.

(6) Paragraph 3 of subsection 1 does not apply in respect of a property that is an episode or broadcast that is part of a series where an application for an advance ruling or, in the absence of such an application, an application for a certificate was filed with the Société de développement des entreprises culturelles before 1 May 2003 in respect of an episode or broadcast of that series and the Société de développement des entreprises culturelles considers that the work surrounding the episode or broadcast of the series was sufficiently advanced on 11 March 2003.

(7) Paragraphs 4 and 5 of subsection 1 apply in respect of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate was filed with the Société de développement des entreprises culturelles after 30 April 2003.

254. (1) Section 1029.6.0.1 of the said Act is amended

(1) by inserting “before 13 June 2003” after “by the corporation” in paragraph *d*;

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

“(e) no corporation may be deemed to have paid an amount to the Minister for a taxation year under this chapter in respect of a cost, an expenditure or any costs incurred by the corporation after 11 March 2003 and before 13 June 2003, where the corporation is governed, in the year, by an Act establishing a labour-sponsored fund.”

(2) Paragraph 1 of subsection 1 has effect from 12 June 2003.

(3) Paragraph 2 of subsection 1 has effect from 12 March 2003.

255. (1) The said Act is amended by inserting the following section after section 1029.6.0.1.6:

“1029.6.0.1.7. For the purpose of determining whether a particular corporation is deemed to have paid an amount to the Minister under this chapter for a taxation year, the following rules apply:

(a) the shares of the capital stock of the particular corporation that are owned or deemed under this section to be owned by a partnership, at any time, are deemed to be owned, at that time, by each member of the partnership in a proportion equal to the proportion of the shares that the member's share of the partnership's income or loss for the partnership's fiscal period that includes that time is of the partnership's income or loss for the partnership's fiscal period that includes that time, on the assumption that, if the partnership's income and loss for that fiscal period are nil, the partnership's income for that fiscal period is \$1,000,000;

(b) the particular corporation is deemed to be controlled by members of the partnership referred to in paragraph *a* that form a particular group at any time, where more than 50% of the voting shares of the particular corporation's capital stock are deemed, under that paragraph *a*, to be owned by the members of that group at that time;

(c) where, at any time, a partnership has any direct or indirect influence that, if exercised, would result in control in fact of the particular corporation, the partnership is deemed to be a corporation whose taxation year corresponds to the partnership's fiscal period and in respect of which the aggregate of the voting shares of its capital stock belong to each member of the partnership, at that time, in the proportion that the member's share of the partnership's income or loss for the partnership's fiscal period that includes that time is of the partnership's income or loss for the partnership's fiscal period that includes that time, on the assumption that, if the partnership's income and loss for that fiscal period are nil, the partnership's income for that fiscal period is \$1,000,000; and

(d) the partnership that is deemed to be a corporation under paragraph *c* is deemed to be controlled by persons that form a particular group at any time where more than 50% of the voting shares of the partnership's capital stock are deemed, under that paragraph *c*, to be owned by the members of that group at that time.”

(2) Subsection 1 applies to taxation years that begin after 12 June 2003.

256. (1) The said Act is amended by inserting the following section after section 1029.6.0.6:

“1029.6.0.6.1. Notwithstanding section 1029.6.0.6, each of the amounts referred to in the third paragraph of that section shall, where it is to be used for the taxation year 2004, be adjusted in such a manner that the

amount used for that taxation year is equal to the total of the amount used for the taxation year 2003 and the product obtained by multiplying that amount so used by 2%.”

(2) Subsection 1 applies from the taxation year 2004.

257. (1) Section 1029.6.0.7 of the said Act is replaced by the following section:

“1029.6.0.7. Where the amount that results from the adjustment provided for in section 1029.6.0.6 or 1029.6.0.6.1, in respect of the amounts mentioned in subparagraphs *a*, *b* and *e* of the third paragraph of section 1029.6.0.6, is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.

Where the amount that results from the adjustment provided for in section 1029.6.0.6 or 1029.6.0.6.1, in respect of the amounts mentioned in subparagraphs *c* and *d* of the third paragraph of section 1029.6.0.6, is not a multiple of \$1, it shall be rounded to the nearest multiple of \$1 or, if it is equidistant from two such multiples, to the higher thereof.”

(2) Subsection 1 applies from the taxation year 2004.

258. (1) Section 1029.6.1 of the said Act is amended

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

““controlled corporation” means a corporation referred to in section 1029.8.5.3;”;

(2) by replacing the definition of “tax-exempt corporation” by the following definition:

““tax-exempt corporation” means

(*a*) for the purposes of subparagraph *a* of the first paragraph of section 1029.7 or 1029.8, a corporation that

i. is exempt from tax under Book VIII, other than an insurer referred to in paragraph *k* of section 998 that is not so exempt from tax on its total taxable income by reason of section 999.0.1, or

ii. would be exempt from tax under section 985 but for section 192; and

(*b*) for the purposes of subparagraphs *b* to *i* of the first paragraph of section 1029.7 or 1029.8, a corporation that is

i. referred to in subparagraph i or ii of paragraph *a*, or

ii. controlled or related to a controlled corporation;”.

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date, under a contract entered into after that date.

259. (1) Section 1029.7 of the said Act is amended by replacing “20%” in the portion before subparagraph *a* of the first paragraph by “17.5%”.

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

260. (1) Section 1029.7.2 of the said Act is amended by replacing the first paragraph by the following paragraph:

“1029.7.2. Where the taxpayer referred to in section 1029.7 is a corporation that has been, throughout the taxation year referred to in that section, a corporation that is not controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada and the assets shown in its financial statements submitted to the shareholders or, where such financial statements have not been prepared, or have not been prepared in accordance with generally accepted accounting principles, that would be shown if such financial statements had been prepared in accordance with generally accepted accounting principles, for its preceding taxation year or, where the corporation is in its first fiscal period, at the beginning of its first fiscal period, were less than \$50,000,000, the percentage of 17.5% mentioned in that section shall be replaced by the percentage determined by the following formula, to the extent that it is applied to the aggregate referred to in the first paragraph of section 1029.7 which does not exceed the expenditure limit of the corporation for the year:

$$35\% - \{[(A - \$25,000,000) \times 17.5\%] / \$25,000,000\}.”$$

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

261. Section 1029.7.7 of the said Act is amended by replacing “Aux fins” in the French text by “Pour l’application”.

262. Section 1029.7.8 of the said Act is amended by replacing “aux fins” in the French text by “pour l’application”.

263. Section 1029.7.9 of the said Act is amended by replacing “aux fins” in the French text by “pour l’application”.

264. (1) Section 1029.8 of the said Act is amended by replacing “20%” in the portion before subparagraph *a* of the first paragraph by “17.5%”.

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

265. Section 1029.8.2 of the said Act is amended by replacing “Aux fins” in the French text of the portion before paragraph *a* by “Pour l’application”.

266. (1) Section 1029.8.5.3 of the said Act is amended

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

“1029.8.5.3. A corporation to which the definition of “controlled corporation” in section 1029.6.1 and paragraph *j* of section 1029.8.1 refers is a corporation which, in the 24 months preceding the date on which a contract referred to in any of sections 1029.7, 1029.8, 1029.8.6 and 1029.8.7 is entered into or at a later time determined by the Minister, is controlled, directly or indirectly in any manner whatever, by”;

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

“(f) a combination of entities or persons each of which is referred to in any of paragraphs *a* to *e*.”

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date, under a contract entered into after that date.

267. (1) Section 1029.8.6 of the said Act is amended

(1) by replacing “40%” in the portion before subparagraph *a* of the first paragraph by “35%”;

(2) by replacing “Aux fins” in the French text of the third paragraph by “Pour l’application”.

(2) Paragraph 1 of subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date, under a contract entered into after that date.

268. (1) Section 1029.8.7 of the said Act is amended

(1) by replacing “40%” in the portion before subparagraph *a* of the first paragraph by “35%”;

(2) by replacing “Aux fins” in the French text of the third paragraph by “Pour l’application”.

(2) Paragraph 1 of subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date, under a contract entered into after that date.

269. (1) Section 1029.8.9 of the said Act is amended by replacing “of the payment in currency referred to” in subparagraph i of subparagraph *a* of the sixth paragraph by “of the contribution referred to”.

(2) Subsection 1 applies in respect of applications for an advance ruling filed after 29 March 2001.

270. (1) Section 1029.8.9.0.1.3 of the said Act is amended by replacing “of the payment in currency referred to” in subparagraph i of subparagraph *a* of the second paragraph by “of the contribution referred to”.

(2) Subsection 1 applies in respect of applications for an advance ruling filed after 29 March 2001.

271. (1) Section 1029.8.9.0.3 of the said Act is amended by replacing “40%” in the first paragraph by “35%”.

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date.

272. (1) Section 1029.8.9.0.4 of the said Act is amended

(1) by replacing “40%” in the first paragraph by “35%”;

(2) by adding the following paragraph after the second paragraph:

“For the purposes of the first paragraph, the taxpayer’s share of an amount is equal to such proportion of that amount as the share of the taxpayer of the income or loss of the partnership for the fiscal period of the partnership ending in the taxpayer’s taxation year is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership’s income for that fiscal period is equal to \$1,000,000.”

(2) Paragraph 1 of subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date.

(3) Paragraph 2 of subsection 1 applies to taxation years of a taxpayer that end after 22 December 1999.

273. (1) Section 1029.8.10 of the said Act is amended, in the portion before subparagraph *a* of the first paragraph,

(1) by replacing “40%” by “35%”;

(2) by replacing “Minister of Economic and Regional Development” wherever it appears by “Minister of Economic and Regional Development and Research”.

(2) Paragraph 1 of subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date, under a contract entered into after that date.

(3) Paragraph 2 of subsection 1 has effect from 23 March 2004.

274. (1) Section 1029.8.11 of the said Act is amended, in the portion before subparagraph *a* of the first paragraph,

(1) by replacing “40%” by “35%”;

(2) by replacing “Minister of Economic and Regional Development” wherever it appears by “Minister of Economic and Regional Development and Research”.

(2) Paragraph 1 of subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date, under a contract entered into after that date.

(3) Paragraph 2 of subsection 1 has effect from 23 March 2004.

275. (1) Section 1029.8.16 of the said Act is amended by replacing “Minister of Economic and Regional Development” in paragraph *a* and in subparagraph *i* of paragraph *b* by “Minister of Economic and Regional Development and Research”.

(2) Subsection 1 has effect from 23 March 2004.

276. (1) Section 1029.8.16.6 of the said Act is amended by replacing “1 July 2004” in the first paragraph by “13 June 2003”.

(2) Subsection 1 has effect from 13 June 2003.

277. (1) Section 1029.8.17 of the said Act is amended by inserting the following paragraphs before paragraph *b.1*:

“(b.0.1) “share with full voting rights” of the capital stock of a corporation means a share carrying a number of voting rights in the corporation, in all circumstances and regardless of the number of shares held, not lower than the number attached to any other share of the capital stock of that corporation;

“(b.0.2) “qualified financing” means, in respect of a scientific research and experimental development project or the carrying out of that project or in

respect of a contract for work relating to scientific research and experimental development or the performance of that contract, an amount granted to a corporation under a loan made to it, as consideration for the issue by the corporation of a bond, debenture or similar obligation or as consideration for the issue by the corporation of a share of its capital stock, other than a share with full voting rights, provided that the terms of the loan, bond, debenture or share conferred upon the holder the right to convert that loan, bond, debenture or share into shares with full voting rights of the capital stock of the corporation;”.

(2) Subsection 1 applies in respect of expenses incurred after 29 March 2001 for scientific research and experimental development undertaken after that date, under a contract entered into after that date. However, where paragraph *b.0.2* of section 1029.8.17 of the said Act applies in respect of expenses incurred before 13 June 2003 for scientific research and experimental development undertaken before that date, under a contract entered into before that date, it shall be read as follows:

“(b.0.2) “qualified financing” means, in respect of a scientific research and experimental development project or the carrying out of that project or in respect of a contract for work relating to scientific research and experimental development or the performance of that contract, an amount obtained by a corporation under a loan made to it or as consideration for the issue by the corporation of a bond, debenture or similar obligation, provided that the terms of the loan, bond or debenture conferred upon the holder the right to convert that loan, bond or debenture into shares with full voting rights of the capital stock of the corporation;”.

278. (1) The said Act is amended by inserting the following section after section 1029.8.17.0.1:

“1029.8.17.0.2. For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a taxpayer under subparagraphs *b* to *i* of the first paragraph of section 1029.7 or 1029.8 and under section 1029.8.6 or 1029.8.7, a person or partnership referred to in the second paragraph that, at any time, has, under a qualified financing granted by the person or partnership to a corporation, a right, either immediately or in the future and either absolutely or contingently, to shares with full voting rights of the capital stock of the corporation, or to acquire those shares or to control the voting rights of those shares, is deemed to have the same position in relation to the control of the corporation as if the person or partnership owned the shares at that time.

The person or partnership referred to in the first paragraph is an eligible public research centre, an eligible university entity, a person with whom such a centre or entity is not dealing at arm’s length at the particular time, a partnership of which such a centre or entity is a member or any person designated by the Minister in accordance with section 1029.8.19.2.”

(2) Subsection 1 applies in respect of expenses incurred after 29 March 2001 for scientific research and experimental development undertaken after that date, under a contract entered into after that date.

279. (1) Section 1029.8.19.3.1 of the said Act is amended by replacing the third paragraph by the following paragraph:

“The contribution to which the first paragraph refers, in respect of a scientific research and experimental development project or the carrying out thereof, or to which the second paragraph refers, in respect of a contract for work relating to scientific research and experimental development or in respect of the performance thereof, is

(a) an amount that the corporation has received at a particular time from an eligible public research centre, an eligible university entity, a person with whom or with which such a centre or entity is not dealing at arm’s length at the particular time, a partnership of which such a centre or entity is a member, or any person designated by the Minister in accordance with section 1029.8.19.2, in payment of the shares with full voting rights of the capital stock of the corporation subscribed by the centre, entity, person or partnership, as the case may be, as part of that project or the carrying out thereof or as part of the contract or the performance thereof; and

(b) a qualified financing granted to the corporation at a particular time by an eligible public research centre, an eligible university entity, a person with whom or with which such a centre or entity is not dealing at arm’s length at the particular time, a partnership of which such a centre or entity is a member, or any person designated by the Minister in accordance with section 1029.8.19.2.”

(2) Subsection 1 applies in respect of expenses incurred after 29 March 2001 for scientific research and experimental development undertaken after that date, under a contract entered into after that date. However, where subparagraph *a* of the third paragraph of section 1029.8.19.3.1 of the said Act applies in respect of expenses incurred before 13 June 2003 for scientific research and experimental development undertaken before that date, under a contract entered into before that date, the reference therein to “shares with full voting rights” shall be read as a reference to “shares”.

280. (1) Section 1029.8.19.5.1 of the said Act is amended by replacing the third paragraph by the following paragraph:

“The contribution to which the first paragraph refers, in respect of a scientific research and experimental development project or the carrying out thereof, or to which the second paragraph refers, in respect of a contract for work relating to scientific research and experimental development or in respect of the performance thereof, is

(a) an amount that the corporation has received at a particular time from an eligible public research centre, an eligible university entity, a person with

whom or with which such a centre or entity is not dealing at arm's length at the particular time, a partnership of which such a centre or entity is a member, or any person designated by the Minister in accordance with section 1029.8.19.5, in payment of the shares with full voting rights of the capital stock of the corporation subscribed by the centre, entity, person or partnership, as the case may be, as part of that project or the carrying out thereof or as part of the contract or the performance thereof; and

(b) a qualified financing granted to the corporation at a particular time by an eligible public research centre, an eligible university entity, a person with whom or with which such a centre or entity is not dealing at arm's length at the particular time, a partnership of which such a centre or entity is a member, or any person designated by the Minister in accordance with section 1029.8.19.2.”

(2) Subsection 1 applies in respect of expenses incurred after 29 March 2001 for scientific research and experimental development undertaken after that date, under a contract entered into after that date. However, where subparagraph *a* of the third paragraph of section 1029.8.19.5.1 of the said Act applies in respect of expenses incurred before 13 June 2003 for scientific research and experimental development undertaken before that date, under a contract entered into before that date, the reference therein to “shares with full voting rights” shall be read as a reference to “shares”.

281. (1) Section 1029.8.19.7 of the said Act is amended by replacing “shares of the corporation’s capital stock” in paragraph *b* by “shares with full voting rights of the corporation’s capital stock”.

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003 for scientific research and experimental development undertaken after that date, under a contract entered into after that date.

282. Section 1029.8.21 of the said Act is amended by replacing “Aux fins” in the French text by “Pour l’application”.

283. Section 1029.8.21.1 of the said Act is amended by replacing “Aux fins” in the French text by “Pour l’application”.

284. (1) Section 1029.8.21.22 of the said Act is amended by replacing “40%” in the first paragraph by “30%”.

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003 under a contract entered into after that date.

285. (1) Section 1029.8.21.23 of the said Act is amended by replacing “40%” in the first paragraph by “30%”.

(2) Subsection 1 applies in respect of expenses incurred after 12 June 2003 under a contract entered into after that date.

286. (1) Section 1029.8.21.30 of the said Act is amended

(1) by striking out “, except if it has been increased for a preceding taxation year in respect of the amount of the benefit or advantage,” in paragraph *a*;

(2) by striking out “, except if it has been increased for a preceding fiscal period in respect of the amount of the benefit or advantage,” in the portion of paragraph *b* before subparagraph *i*.

(2) Subsection 1 applies in respect of qualified expenditures incurred after 9 March 1999 for eligible liaison and transfer services or eligible competitive intelligence services provided after that date.

287. Section 1029.8.22 of the said Act is amended by replacing paragraph *a* of the definition of “eligible employee” in the first paragraph by the following paragraph:

“(a) an employee in respect of whom it may reasonably be considered that one of the purposes for which the employee works for the qualified corporation or qualified partnership is to allow the qualified corporation or a qualified corporation that is a member of the qualified partnership to be deemed to have paid an amount to the Minister under section 1029.8.25 or 1029.8.25.1 in respect of the employee, or”.

288. Section 1029.8.23 of the said Act is amended by replacing “à l’emploi” in the French text of the second paragraph by “un employé”.

289. Section 1029.8.23.1 of the said Act is amended by replacing subparagraph *i* of subparagraph *c* of the first paragraph by the following subparagraph:

“i. that one of the purposes for which the employee works for the entity offering the qualified training activity is to enable the qualified corporation or a qualified corporation that is a member of the qualified partnership to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.25 or 1029.8.25.1, or”.

290. Section 1029.8.23.2 of the said Act is amended by replacing subparagraph *i* of paragraph *c* by the following subparagraph:

“i. one of the purposes for which the employee works for the entity is to enable a qualified corporation that is a member of the entity or a qualified corporation that is a member of a qualified partnership which is itself a member of the entity, to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.25 or 1029.8.25.1, or”.

291. Section 1029.8.23.3 of the said Act is amended by replacing subparagraph *i* of paragraph *c* by the following subparagraph:

“i. one of the purposes for which the employee works for the entity is to enable a qualified corporation to which the qualified training activity is offered or to a qualified corporation that is a member of a qualified partnership to which the qualified training activity is offered, to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.25 or 1029.8.25.1, or”.

292. Section 1029.8.23.4 of the said Act is amended by replacing subparagraph i of paragraph c by the following subparagraph:

“i. that one of the purposes for which the employee works for the entity offering the qualified training activity is to enable the qualified corporation or a qualified corporation that is a member of the qualified partnership to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.25 or 1029.8.25.1, or”.

293. (1) Section 1029.8.33.2 of the said Act is amended, in the first paragraph,

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

““eligible region” means

(a) one of the following administrative regions described in Order in Council 2000-87 dated 22 December 1987 concerning the revision of the boundaries of the administrative regions of Québec, as amended:

- i. administrative region 01 Bas-Saint-Laurent,
- ii. administrative region 02 Saguenay–Lac-Saint-Jean,
- iii. administrative region 08 Abitibi-Témiscamingue,
- iv. administrative region 09 Côte-Nord,
- v. administrative region 10 Nord-du-Québec, or
- vi. administrative region 11 Gaspésie–Îles-de-la-Madeleine; or

(b) one of the following regional county municipalities:

- i. Municipalité régionale de comté du Haut-Saint-Maurice,
- ii. Municipalité régionale de comté de Mékinac,
- iii. Municipalité régionale de comté d’Antoine-Labelle,
- iv. Municipalité régionale de comté de La Vallée-de-la-Gatineau, or

v. Municipalité régionale de comté de Pontiac;”;

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

“(a) an employee in respect of whom it may reasonably be considered that one of the purposes for which the employee works for the eligible taxpayer or the qualified partnership would be to allow, but for this paragraph, the eligible taxpayer or an eligible taxpayer who is a member of the qualified partnership to be deemed to have paid, in respect of the employee, an amount to the Minister under section 1029.8.33.6 or 1029.8.33.7; or”.

(2) Paragraph 1 of subsection 1 has effect from 12 March 2003.

294. (1) The said Act is amended by inserting the following section after section 1029.8.33.4.1:

“1029.8.33.4.2. Where the eligible trainee in respect of whom an amount must be determined in accordance with section 1029.8.33.3 serves, in an eligible region, a qualified training period that begins after 11 March 2003 but before 13 June 2003, the following rules apply:

(a) the amount of “\$500” in the first paragraph of section 1029.8.33.3 shall be replaced by an amount of “\$1,000” or, where section 1029.8.33.4.1 applies, the amount of “\$625” that, because of section 1029.8.33.4.1, replaces that amount of “\$500” shall itself be replaced by an amount of “\$1,250”; and

(b) the amount of “\$15” in subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.33.3 shall be replaced by an amount of “\$25”.”

(2) Subsection 1 applies in respect of expenditures incurred after 11 March 2003.

295. (1) Section 1029.8.33.6 of the said Act is amended by replacing “20%” in the first paragraph by “15%”.

(2) Subsection 1 applies in respect of expenditures incurred after 12 June 2003 in relation to training periods that begin after that date.

296. (1) Section 1029.8.33.7 of the said Act is amended by replacing “20%” in the first paragraph by “15%”.

(2) Subsection 1 applies in respect of expenditures incurred after 12 June 2003 in relation to training periods that begin after that date.

297. (1) Section 1029.8.33.7.2 of the said Act is replaced by the following section:

“1029.8.33.7.2. Where the eligible taxpayer referred to in section 1029.8.33.6 or 1029.8.33.7 is a qualified corporation, the percentage of “15%” mentioned in the first paragraph of that section shall be replaced by a percentage of “30%”.”

(2) Subsection 1 applies in respect of expenditures incurred after 12 June 2003 in relation to training periods that begin after that date.

298. (1) Section 1029.8.33.13 of the said Act is amended by replacing the first paragraph by the following paragraph:

“1029.8.33.13. An eligible taxpayer who, in respect of a taxation year, is required to pay qualified expenditures and who encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file for the year under section 1000, or would be required to file for the year under section 1000 if the taxpayer were not a registered charity and if tax were payable under this Part by the taxpayer, is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer’s balance-due day for the taxation year, on account of the taxpayer’s tax payable for that year under this Part, an amount equal to 75% of the aggregate of the qualified expenditures determined in respect of the taxpayer for the taxation year in accordance with the third paragraph.”

(2) Subsection 1 applies to taxation years that begin after 31 December 2003.

(3) In addition,

(1) where subparagraph *d* of the third paragraph of section 1029.8.33.13 of the said Act applies to taxation years that begin before 1 January 2004 and that include 31 December 2002 but do not include 31 December 2003, it shall be read as follows:

“(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for 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 of any amount paid or payable in respect of the taxation year, under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the taxation year, multiplied by the total of

i. the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 is of the number of days in the taxation year, and

ii. the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 is of the number of days in the taxation year; and”;

(2) where subparagraphs *a* to *e* of the third paragraph of section 1029.8.33.13 of the said Act apply to taxation years that begin before 1 January 2004 and that include 31 December 2003, in respect of amounts paid for the calendar year 2003, they shall be read as follows:

“(a) 87.5% of the aggregate of all amounts paid under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed in that calendar year 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;

“(b) 87.5% of the amount paid under the provision mentioned in subparagraph iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, other than any amount paid or payable under that provision and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded in that calendar year by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer and to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill;

“(c) 87.5% of the amount paid under the provision mentioned in subparagraph i of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year 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;

“(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for 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 of any amount paid or payable in respect of the taxation year, under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the taxation year, multiplied by the total of

i. the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 is of the number of days in the taxation year, and

ii. the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 is of the number of days in the taxation year; and

“(e) 87.5% of the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph *a.1* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year 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.”;

(3) where subparagraphs *a* to *e* of the third paragraph of section 1029.8.33.13 of the said Act apply to taxation years that begin before 1 January 2004 and that include 31 December 2004, in respect of an amount paid for the calendar year 2004, they shall be read as follows:

“(a) 75% of the aggregate of all amounts paid under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the

taxation year, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed in that calendar year 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;

“(b) 75% of the amount paid under the provision mentioned in subparagraph iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, other than any amount paid or payable under that provision and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded in that calendar year by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer and to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill;

“(c) 75% of the amount paid under the provision mentioned in subparagraph i of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year 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;

“(d) 75% of the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for 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 of any amount paid or payable in respect of the taxation year, under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the taxation year; and

“(e) 75% of the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph *a.1* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year 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.”

299. (1) Section 1029.8.33.14 of the said Act is amended by replacing the first paragraph by the following paragraph:

“1029.8.33.14. Where a qualified partnership is required to pay, in respect of a fiscal period, qualified expenditures, each taxpayer who is a member of the partnership at the end of that fiscal period and who encloses the prescribed form containing prescribed information with the fiscal return the taxpayer is required to file under section 1000, or would be required to file under section 1000 if the taxpayer were not a registered charity and if tax were payable under this Part by the taxpayer for the taxpayer’s taxation year in which the partnership’s fiscal period ends, is deemed, subject to the third paragraph, to have paid to the Minister on the taxpayer’s balance-due day for the taxation year, on account of the taxpayer’s tax payable for that year under this Part, the taxpayer’s share of an amount equal to 75% of the aggregate of the qualified expenditures determined in respect of the qualified partnership for the fiscal period in accordance with the fourth paragraph.”

(2) Subsection 1 applies to fiscal periods that begin after 31 December 2003.

(3) In addition,

(1) where subparagraph *d* of the fourth paragraph of section 1029.8.33.14 of the said Act applies to fiscal periods that begin before 1 January 2004 and that include 31 December 2002 but do not include 31 December 2003, it shall be read as follows:

“(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for 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 of any amount paid or payable in respect of the fiscal period, under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the fiscal period, multiplied by the total of

i. the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 13 June 2003 is of the number of days in the fiscal period, and

ii. the percentage obtained by multiplying 75% by the proportion that the number of days in the fiscal period that follow 12 June 2003 is of the number of days in the fiscal period; and”;

(2) where subparagraphs *a* to *e* of the fourth paragraph of section 1029.8.33.14 of the said Act apply to fiscal periods that begin before 1 January 2004 and that include 31 December 2003, in respect of amounts paid for the calendar year 2003, they shall be read as follows:

“(a) 87.5% of the aggregate of all amounts paid under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed in that calendar year 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;

“(b) 87.5% of the amount paid under the provision mentioned in subparagraph iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, other than any amount paid or payable under that provision and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded in that calendar year by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership and to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill;

“(c) 87.5% of the amount paid under the provision mentioned in subparagraph i of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to remuneration subject to contribution, within the meaning of the

first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year 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;

“(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for 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 of any amount paid or payable in respect of the fiscal period, under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the fiscal period, multiplied by the total of

i. the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 13 June 2003 is of the number of days in the fiscal period, and

ii. the percentage obtained by multiplying 75% by the proportion that the number of days in the fiscal period that follow 12 June 2003 is of the number of days in the fiscal period; and

“(e) 87.5% of the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph *a.1* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year 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.”;

(3) where subparagraphs *a* to *e* of the fourth paragraph of section 1029.8.33.14 of the said Act apply to fiscal periods that begin before 1 January 2004 and that include 31 December 2004, in respect of amounts paid for the calendar year 2004, they shall be read as follows:

“(a) 75% of the aggregate of all amounts paid under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed in that calendar year 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;

“(b) 75% of the amount paid under the provision mentioned in subparagraph iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, other than any amount paid or payable under that provision and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded in that calendar year by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership and to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill;

“(c) 75% of the amount paid under the provision mentioned in subparagraph i of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year 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;

“(d) 75% of the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for 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 of any amount paid or payable in respect of the fiscal period, under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the fiscal period; and

“(e) 75% of the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph *a.1* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year 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.”

300. (1) Section 1029.8.34 of the said Act is amended

(1) by replacing paragraphs *a* and *b* of the definition of “labour expenditure” in the first paragraph by the following paragraphs:

“(a) the salaries or wages directly attributable to the property that are incurred in the year by the corporation and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services rendered in relation to the stages of production of the property, from the script stage to the post-production stage, or in relation to another stage of production of the property that is carried out after the post-production stage within a period that is reasonable to the Minister but that must not extend beyond the date provided for in the sixth paragraph, and that are paid by the corporation to its eligible employees;

“(b) the portion of the remuneration, other than salary or wages, that is incurred in the year by the corporation and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that was incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, in relation to the stages of production referred to in paragraph *a* of the property and that is paid by the corporation,

i. to an individual, to the extent that that portion of the remuneration can reasonably be attributed either to services provided by the individual personally as part of the production of the property or to the wages of the individual's eligible employees who provided services as part of the production of the property,

ii. to a particular corporation having an establishment in Québec, other than a corporation referred to in subparagraph iii, a corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission, or a corporation that is not dealing at arm's length with a corporation holding such a licence, to the extent that that portion of the remuneration is reasonably attributable to the wages of the particular corporation's eligible employees who provided services as part of the production of the property,

iii. to a corporation having an establishment in Québec all the issued capital stock of which, except the director's qualifying shares, belongs to an individual and whose activities consist mainly in providing the services of that individual, to the extent that that portion of the remuneration can reasonably be attributed to services provided by the individual as part of the production of the property, or

iv. to a partnership carrying on a business in Québec, to the extent that that portion of the remuneration is reasonably attributable either to services provided, as part of the production of the property, by an individual who is a member of the partnership or to the wages of the partnership's eligible employees who provided services as part of the production of the property; and”;

(2) by replacing the portion of paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in the first paragraph before subparagraph i by the following:

“(b) in any other case, an amount equal to the amount by which the portion of a labour expenditure of the corporation for the year that is directly attributable to an amount paid for activities connected with computer-aided special effects and animation and carried on in Québec as part of the production of the property and that is indicated, by budgetary item, on a document that the Société de développement des entreprises culturelles encloses with the advance ruling given or the certificate issued to the corporation in relation to the property, exceeds the aggregate of”;

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

““eligible employee” of an individual, a corporation or a partnership means, in respect of a property that is a Québec film production, an individual resident in Québec at any time in the calendar year during which the individual renders services as part of the production of the property;”;

(4) by inserting the following paragraphs after paragraph *a* of the definition of “qualified corporation” in the first paragraph:

“(a.1) a corporation that, at any time in the year or during the 24 months preceding the year, would be controlled by a particular person, if each share of the capital stock of the corporation owned by a person not resident in Québec were owned by that particular person;

“(a.2) a corporation that is the holder of a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission or that, at any time in the year or during the 24 months preceding the year, is not dealing at arm’s length with a corporation holding such a licence;”;

(5) by striking out subparagraphs *d* and *d.2* of the second paragraph;

(6) by replacing the sixth paragraph by the following paragraph:

“For the purposes of the definitions of “labour expenditure”, “qualified computer-aided special effects and animation expenditure”, “qualified expenditure for services rendered outside the Montréal area” and “qualified labour expenditure” in the first paragraph, the following rules apply:

(a) the date to which those definitions refer is the date that is 18 months after the end of the corporation’s fiscal period that includes the date of recording of the first trial composite of the property; and

(b) no expenditure may be taken into consideration in computing a labour expenditure of a corporation for a taxation year in respect of a property that is a Québec film production, or production costs directly attributable to the production of such a property incurred before the end of a taxation year, unless the expenditure is paid at the time the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.35 for that taxation year.”;

(7) by inserting the following paragraph after the seventh paragraph:

“For the purposes of paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in the first paragraph, subparagraph *i* of paragraph *b* of the definition of “labour expenditure” in that first paragraph shall be read with “if the individual is resident in Québec at any time in the calendar year in which the individual rendered those services” inserted after “individual personally”.”;

(8) by inserting the following paragraph after the eighth paragraph:

“In the case of property referred to in the first paragraph of section 1029.8.35.2,

(a) the definition of “qualified expenditure for services rendered outside the Montréal area” in the first paragraph, in respect of that property, shall be read with “100/10.5 or 100/22.17”, wherever it appears, replaced by “100/9.1875 or 100/19.3958”;

(b) the definition of “qualified computer-aided special effects and animation expenditure” in the first paragraph, in respect of that property, shall be read with “60/7”, wherever it appears, replaced by “100/10.2083”; and

(c) the definition of “qualified labour expenditure” in the first paragraph, in respect of the property, shall be read with “250%”, wherever it appears, replaced by “253.97%” if the property is property referred to in subparagraph *a* of the first paragraph of section 1029.8.35.2 or by “342.85%” in any other case.”;

(9) by replacing the ninth paragraph by the following paragraph:

“In the case of property referred to in the second paragraph of section 1029.8.35.2, the definition of “qualified labour expenditure” in the first paragraph shall be read, in respect of that property, with “250%”, wherever it appears, replaced by “20/9” if the property is property referred to in subparagraph *a* of the first paragraph of section 1029.8.35.2, or by “300%” in any other case.”

(2) Paragraph 1 of subsection 1, where it amends paragraph *a* of the definition of “labour expenditure” in the first paragraph of section 1029.8.34 of the said Act to insert the reference to “to its eligible employees” after the reference to “paid by the corporation”, subparagraph *i* of paragraph *b* of that definition, subparagraph *ii* of that paragraph *b* to insert the reference to “eligible” before the reference to “employees” and subparagraphs *iii* and *iv* of that paragraph *b* and paragraphs 2, 3 and 5 of subsection 1, where it strikes out subparagraph *d* of the second paragraph of section 1029.8.34, apply in respect of property in respect of which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

(3) Paragraph 1 of subsection 1, where it amends subparagraph *ii* of paragraph *b* of the definition of “labour expenditure” in the first paragraph of section 1029.8.34 of the said Act, except where it inserts the reference to “eligible” before the reference to “employees”, applies in respect of any of the following properties, subject to subsection 4:

(1) property in respect of which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 31 August 2003, and

(2) property in respect of which, notwithstanding the filing of an application for an advance ruling with the Société de développement des entreprises culturelles before 1 September 2003, the Société de développement des

entreprises culturelles considers that the work surrounding that property was not sufficiently advanced on 11 March 2003.

(4) Paragraph 1 of subsection 1, where it amends subparagraph ii of paragraph *b* of the definition of “labour expenditure” in the first paragraph of section 1029.8.34 of the said Act, except where it inserts the reference to “eligible” before the reference to “employees”, does not apply in respect of property that is an episode or broadcast that is part of a series where an application for an advance ruling or, in the absence of such an application, an application for a certificate has been filed with the Société de développement des entreprises culturelles before 1 September 2003 in respect of an episode or broadcast of that series and the Société de développement des entreprises culturelles considers that the work surrounding an episode or broadcast of that series was sufficiently advanced on 11 March 2003.

(5) Paragraph 4 of subsection 1, where it enacts paragraph *a.1* of the definition of “qualified corporation” in the first paragraph of section 1029.8.34 of the said Act, applies to taxation years that begin after 11 March 2003 and, where it enacts paragraph *a.2* of that definition, applies to taxation years that begin after 31 March 2003.

(6) Paragraph 6 of subsection 1 applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 31 August 2001, or after 5 July 2001 and before 1 September 2001 if the corporation elects, in respect of the property, to compute the production costs of the property according to the rules applicable to a property in respect of which such an application is filed with the Société de développement des entreprises culturelles after 31 August 2001.

(7) Paragraph 7 of subsection 1 applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 12 December 2003.

(8) Paragraphs 8 and 9 of subsection 1 have effect from 12 June 2003.

(9) In addition, where section 1029.8.34 of the said Act applies before 20 December 2001 in respect of taxation years of corporations in relation to which the time limits provided for in subsection 2 of section 1010 of the said Act had not expired on 11 March 2003, a notice of objection was served on the Minister of Revenue before 11 March 2003 or an appeal was brought, before that date, against a notice of assessment, where the subject of the contestation concerns an amount of assistance paid by the Conseil des arts et des lettres du Québec or an amount deemed to have been paid under subsection 3 of section 125.5 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), or the corporation filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph ii of

paragraph *b* of subsection 2 of section 1010 before 11 March 2003, the definitions of “government assistance” and “non-government assistance” in the first paragraph of section 1029.8.34 shall be read as follows:

““government assistance” means assistance from a government, municipality or other public authority whether as a grant, subsidy, forgivable loan, deductions from tax, investment allowance or as any other form of assistance, other than an amount prescribed, an amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.35 and an amount that the corporation is deemed to have paid for a taxation year under subsection 3 of section 125.5 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

““non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs *ii* and *iii* thereof, other than an amount prescribed, an amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.35 and an amount that the corporation is deemed to have paid for a taxation year under subsection 3 of section 125.5 of the Income Tax Act;”.

(10) Notwithstanding sections 1007 and 1010 to 1011 of the said Act, the Minister of Revenue shall make, under Part I of the said Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6 of Chapter III.1 of Title III of Book IX of that Part I by a corporation and such assessments or reassessments of interest or penalties payable by the corporation as are necessary to give effect to subsection 9. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

301. (1) Section 1029.8.35 of the said Act is amended, in the first paragraph,

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

“1029.8.35. A corporation that, for a taxation year, is a qualified corporation and encloses with its fiscal return it is required to file for the year under section 1000 the prescribed form containing the prescribed information and a copy of the favourable advance ruling in force or, as the case may be, of the unrevoked certificate given or issued by the Société de développement des entreprises culturelles in respect of a property that is a Québec film production, is deemed, subject to the second paragraph and sections 1029.8.35.1 to 1029.8.35.3, where the application for an advance ruling has been filed or, in the absence of such an application, where the application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation’s balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of”;

(2) by replacing subparagraphs *a.1* and *b* by the following subparagraphs:

“(a.1) where the qualified corporation encloses with its fiscal return it is required to file for the year a copy of the valid certificate issued to it for the year by the Société de développement des entreprises culturelles and certifying that it qualifies for the year as a regional corporation, and a copy of the document enclosed with the advance ruling given or the certificate issued in relation to the property and in which the Société de développement des entreprises culturelles breaks down the amount of the corporation’s expenditure for services rendered outside the Montréal area into the items in the production budget of the property relating to that amount,

i. where subparagraph *a* of the first paragraph of section 1029.8.35.2 applies in respect of the property, 9.1875% of its qualified expenditure for services rendered outside the Montréal area for the year in respect of the property and, where subparagraph *a* of the second paragraph of section 1029.8.35.2 applies in respect of that property, 10.5% of that expenditure, and

ii. where subparagraph *b* of the first paragraph of section 1029.8.35.2 applies in respect of the property, 19.3958% of its qualified expenditure for services rendered outside the Montréal area for the year in respect of the property and, where subparagraph *b* of the second paragraph of section 1029.8.35.2 applies in respect of that property, 22.17% of that expenditure; and

“(b) where the qualified corporation encloses with its fiscal return it is required to file for the year a copy of the document enclosed with the advance ruling given or the certificate issued in relation to the property and in which the Société de développement des entreprises culturelles breaks down the amount of the corporation’s computer-aided special effects and animation expenditure into the items in the production budget of the property relating to that amount,

i. where subparagraph *b* of the first paragraph of section 1029.8.35.2 applies in respect of the property, 10.2083% of its qualified computer-aided special effects and animation expenditure for the year in respect of the property, and

ii. where subparagraph *b* of the second paragraph of section 1029.8.35.2 applies in respect of the property, 11 2/3% of its qualified computer-aided special effects and animation expenditure for the year in respect of the property.”

(2) Paragraph 1 of subsection 1 applies to taxation years that begin after 31 March 2003.

(3) Paragraph 2 of subsection 1 has effect from 12 June 2003 except where that paragraph 2 replaces the portion of subparagraph *a.1* of the first paragraph of section 1029.8.35 of the said Act before subparagraph *i*, in which case it applies to taxation years that begin after 31 March 2003.

302. (1) Section 1029.8.35.1 of the said Act is amended by adding the following paragraph after the third paragraph:

“Where the property is a property referred to in the first paragraph of section 1029.8.35.2, the amount of \$2,500,000 shall be replaced, wherever it appears, in the first and second paragraphs by the amount of \$2,187,500.”

(2) Subsection 1 has effect from 12 June 2003.

303. (1) Section 1029.8.35.2 of the said Act is replaced by the following section:

“1029.8.35.2. Where the property referred to in the first paragraph of section 1029.8.35 is a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 31 August 2003, a property for which, despite the filing of an application for an advance ruling with the Société de développement des entreprises culturelles before 1 September 2003, the Société de développement des entreprises culturelles considers that the work surrounding the property was not sufficiently advanced on 12 June 2003 and that the property is not an episode or broadcast that is part of a series, or a property that is an episode or broadcast that is part of a series where an application for an advance ruling or, in the absence of such an application, an application for a certificate has been filed with the Société de développement des entreprises culturelles before 1 September 2003 in respect of an episode or broadcast of that series and the Société de développement des entreprises culturelles considers that the work surrounding an episode or broadcast of that series was sufficiently advanced on 12 June 2003, the percentage of 40% mentioned in subparagraph *a* of the first paragraph of section 1029.8.35 shall, in respect of the property, be replaced by a percentage of

(*a*) 39.375%, in the case of any production that meets the criteria listed in the Regulation respecting the recognition of films as Québec films (R.R.Q., 1981, chapter C-18.1, r.0.1.6) to qualify for the increase applicable to certain French-language productions or to giant-screen films and in respect of which the Société de développement des entreprises culturelles has issued a certificate to that effect for the purposes of this division; and

(*b*) 29.1667%, in any other case.

Where the first paragraph does not apply and the main filming or taping of a property referred to in the first paragraph of section 1029.8.35 began after 30 April 1997, and the property is not an episode or broadcast that is part of a series the main filming or taping of at least one episode or one broadcast of which began on or before that date, the percentage of 40% mentioned in subparagraph *a* of the first paragraph of section 1029.8.35 shall, in respect of the property, be replaced by a percentage of

(a) 45%, in the case of any production that meets the criteria listed in the Regulation respecting the recognition of films as Québec films to qualify for the increase applicable to certain French-language productions or to giant-screen films and in respect of which the Société de développement des entreprises culturelles has issued a certificate to that effect for the purposes of this division; and

(b) 33 1/3%, in any other case.”

(2) Subsection 1 has effect from 12 June 2003.

304. (1) Section 1029.8.35.3 of the said Act is replaced by the following section:

“1029.8.35.3. Where all or part of an expenditure of a corporation is a qualified expenditure for services rendered outside the Montréal area for the year in respect of a property and a qualified computer-aided special effects and animation expenditure for the year in respect of the property, the amount that the corporation is deemed to have paid to the Minister, under section 1029.8.35, on account of its tax payable for a taxation year under this Part in respect of a property, shall not exceed,

(a) where subparagraph *b* of the first paragraph of section 1029.8.35.2 applies in respect of the property, 48.5625% of the qualified labour expenditure for the year in respect of the property; and

(b) where subparagraph *b* of the second paragraph of section 1029.8.35.2 applies in respect of the property, 55.5% of the qualified labour expenditure for the year in respect of the property.”

(2) Subsection 1 has effect from 12 June 2003.

305. (1) Section 1029.8.36.0.0.1 of the said Act is amended

(1) by replacing subparagraph ii of paragraph *a* of the definition of “qualified film dubbing expenditure” in the first paragraph by the following subparagraph:

“ii. the aggregate of

(1) the amount of any government assistance and non-government assistance 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 year, that is attributable to a film dubbing expenditure of the corporation for a taxation year preceding the year in respect of the production of the property, to the extent that the amount has not, under subparagraph i of subparagraph *d* of the second paragraph, reduced the film dubbing expenditure of the corporation for that preceding year, and

(2) the amount of any benefit or advantage that the corporation has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, that is attributable to a film dubbing expenditure of the corporation for a taxation year preceding the year in respect of the production of the property, 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, to the extent that that amount has not, under subparagraph ii of subparagraph *d* of the second paragraph, reduced the amount of the film dubbing expenditure of the corporation for that preceding year; and”;

(2) by replacing paragraphs *a* and *b* of the definition of “film dubbing expenditure” in the first paragraph by the following paragraphs:

“(a) the salaries or wages directly attributable to the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for the certificate, to the extent that they relate to eligible dubbing services rendered in Québec before the completion date of the dubbed master copy of the property or after that date within a period that is reasonable to the Minister but that must not extend beyond the date that is 18 months after the end of the corporation's fiscal period that includes the completion date of the dubbed master copy, and that are paid by the corporation to its employees resident in Québec at any time in the calendar year in which they rendered the eligible dubbing services; and

“(b) the consideration that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the consideration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for the certificate, to the extent that they relate to eligible dubbing services rendered in Québec before the completion date of the dubbed master copy of the property or after that date within a period that is reasonable to the Minister but that must not extend beyond the date that is 18 months after the end of the corporation's fiscal period that includes the completion date of the dubbed master copy, by an individual resident in Québec at any time in the calendar year in which the individual renders the eligible dubbing services or by a corporation or partnership having an establishment in Québec, other than an employee of the corporation, as part of the production of the property and that is paid by the corporation;”;

(3) by replacing the definition of “qualified production” in the first paragraph by the following definition:

““qualified production” for a taxation year of a corporation means the dubbed version of a production in respect of which the Société de

développement des entreprises culturelles certifiées, on the certificate it issues to the corporation in respect of the dubbed version, that the dubbed version qualifies for the purposes of this division;”;

(4) by inserting the following subparagraph after subparagraph *c* of the second paragraph:

“(c.1) no expenditure may be taken into consideration in computing the film dubbing expenditure of a corporation for a taxation year in respect of the production of a property, unless it is paid at the time the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.2 for that taxation year;”;

(5) by replacing subparagraph *d* of the second paragraph by the following subparagraph:

“(d) the amount of the film dubbing expenditure of a corporation for a taxation year in respect of the production of a property shall be reduced, where applicable, by the aggregate of

i. the amount of any government assistance and 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 corporation’s filing-due date for the year, and

ii. the amount of any benefit or advantage attributable to that expenditure, 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, that the corporation has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for the year;”;

(6) by adding the following paragraph after the fourth paragraph:

“In the case of a production referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.0.2, the definition of “qualified film dubbing expenditure” in the first paragraph shall be read, in respect of that production, with “300%”, wherever it appears, replaced by “342.85%”.

(2) Paragraphs 1 and 5 of subsection 1 apply in respect of property for which an application for a certificate is filed with the Société de développement des entreprises culturelles after 12 December 2003.

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of property for which an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

(4) Paragraph 4 of subsection 1 applies to taxation years that end after 5 July 2001.

(5) Paragraph 6 of subsection 1 has effect from 1 September 2003.

306. (1) Section 1029.8.36.0.0.2 of the said Act is amended by replacing the first paragraph by the following paragraph:

“1029.8.36.0.0.2. A qualified corporation that, in a taxation year, produces a dubbed version of a production and encloses with its fiscal return it is required to file for the year under section 1000 a copy of the valid certificate issued to it by the Société de développement des entreprises culturelles indicating that the dubbed version is a qualified production and the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, where the application for a certificate has been filed in respect of the production with the Société de développement des entreprises culturelles before the end of the year, 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

(a) in the case of a production the dubbing of which is completed after 31 August 2003, 29.1667% of its qualified film dubbing expenditure for the year in respect of the production of that qualified production; and

(b) in any other case, 33 1/3% of its qualified film dubbing expenditure for the year in respect of the production of that qualified production.”

(2) Subsection 1 has effect from 12 June 2003 except where it replaces “a copy of the certificate issued to it” in the first paragraph of section 1029.8.36.0.0.2 of the said Act by “a copy of the valid certificate issued to it” and where it inserts “where the application for a certificate has been filed in respect of the production with the Société de développement des entreprises culturelles before the end of the year,” in that paragraph, in which cases it applies in respect of property for which an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

307. (1) Section 1029.8.36.0.0.3 of the said Act is replaced by the following section:

“1029.8.36.0.0.3. Subject to sections 1010 to 1011, for the purposes of this division, where the Société de développement des entreprises culturelles replaces or revokes a certificate issued by it in respect of a property that is a qualified production, the following rules apply:

(a) a replaced certificate is null from the time it was issued or deemed issued, and the new certificate is deemed to have been issued at that time; and

(b) a revoked certificate is null from the time the revocation becomes effective.

The revoked certificate referred to in subparagraph *b* of the first paragraph is deemed not to have been issued as of the effective date specified in the notice of revocation.”

(2) Subsection 1 applies in respect of property for which an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

308. (1) Section 1029.8.36.0.0.4 of the said Act is amended

(1) by replacing paragraph *a* of the definition of “labour expenditure” in the first paragraph and the portion of paragraph *b* of that definition before subparagraph *i* by the following:

“(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services rendered in Québec in relation to the stages of production of the property, from the script stage to the post-production stage, or in relation to another stage of production of the property that is carried out after the post-production stage within a period that is reasonable to the Minister but that must not extend beyond the date that is 18 months after the end of the corporation’s fiscal period that includes the taping date of the first trial composite of the property, and that are paid by the corporation to its eligible employees at the time when the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.5 for that taxation year;

“(b) the portion of the remuneration, other than salary or wages, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that was incurred by the corporation in a year preceding the year in which the corporation filed the application for the advance ruling or the certificate, that is directly attributable to the production of the property and that relates to services rendered in Québec during the year to the corporation, in relation to the stages of production of the property referred to in paragraph *a*, and that is paid by the corporation at the time when the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.5 for that taxation year.”;

(2) by replacing subparagraph ii of paragraph *b* of the definition of “labour expenditure” in the first paragraph by the following subparagraph:

“ii. to a particular corporation having an establishment in Québec, other than a corporation referred to in subparagraph iii, a corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission or a corporation that is not dealing at arm’s length with a corporation holding such a licence, to the extent that that portion of the remuneration is reasonably attributable to the wages of the particular corporation’s eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property;”;

(3) by replacing “the valid certificate issued” in the portion of paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in the first paragraph before subparagraph i by “the favourable advance ruling given or to the certificate issued”;

(4) by replacing the definitions of “eligible employee” and “eligible individual” in the first paragraph by the following definitions:

““eligible employee” of an individual, a corporation or a partnership means, in respect of a property that is a qualified production or a qualified low-budget production, an employee resident in Québec at any time in the calendar year in which the employee renders, as part of the production of the property, services referred to in paragraph *a* of the definition of “labour expenditure” or in any of subparagraphs i, ii and iv of paragraph *b* of that definition;

““eligible individual” means, in respect of a property that is a qualified production, an individual resident in Québec at any time in the calendar year in which the individual renders, as part of the production of the property, services referred to in paragraph *a* of the definition of “labour expenditure” or in any of subparagraphs i, ii and iv of paragraph *b* of that definition;”;

(5) by replacing “issues a certificate” in the definition of “qualified production” in the first paragraph by “certifies, on the advance ruling given or the certificate issued by it to a corporation in respect of the production, that the production qualifies”;

(6) by replacing “issues a certificate for the purposes of this division in which it specifies” in the portion of the definition of “qualified low-budget production” in the first paragraph before paragraph *a* by “certifies, on the advance ruling given or the certificate issued by it to a corporation in respect of the production, that the production qualifies for the purposes of this division and”;

(7) by inserting “and whose mission is cultural” after “in the year” in paragraph *c* of the definition of “excluded corporation” in the first paragraph;

(8) by adding the following paragraph after paragraph *d* of the definition of “excluded corporation” in the first paragraph:

“(e) holding a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission or, at any time in the year or in the 24 months preceding that year, related to a corporation holding such a licence;”;

(9) by striking out subparagraph *c* of the second paragraph;

(10) by inserting the following paragraph after the third paragraph:

“For the purposes of paragraph *c* of the definition of “excluded corporation” in the first paragraph, a corporation whose mission is cultural does not include a corporation whose mandate consists in making investments.”;

(11) by replacing “the main filming or taping of the property began” by “an application for an advance ruling or, in the absence of such an application, an application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles” in the following provisions of the first paragraph:

— subparagraph iii of paragraph *a* of the definition of “qualified computer-aided special effects and animation expenditure”;

— subparagraph iii of paragraph *a* of the definition of “qualified labour expenditure”.

(2) Paragraphs 1, 3 to 6, 9 and 11 of subsection 1 apply in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003. In addition,

(1) where paragraph *a* of the definition of “labour expenditure” in the first paragraph of section 1029.8.36.0.4 of the said Act applies to taxation years of a corporation that end after 5 July 2001, it shall be read with “at the time when the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.5 for that taxation year” inserted after “eligible employees”; and

(2) where the portion of paragraph *b* of the definition of “labour expenditure” in the first paragraph of section 1029.8.36.0.4 of the said Act before subparagraph *i* applies to taxation years of a corporation that end after 5 July 2001, it shall be read with “at the time when the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.5 for that taxation year” after “paid by it”.

(3) Paragraph 2 of subsection 1 applies in respect of

(1) property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 31 August 2003; and

(2) property for which, despite the filing of an application for an advance ruling with the Société de développement des entreprises culturelles before 1 September 2003, the Société de développement des entreprises culturelles considers that the work surrounding the property was not sufficiently advanced on 11 March 2003.

(4) Paragraphs 7 and 10 of subsection 1 apply to taxation years that end after 12 February 1998.

(5) Paragraph 8 of subsection 1 applies to taxation years that begin after 31 March 2003.

309. (1) Section 1029.8.36.0.0.5 of the said Act is amended by replacing the portion before subparagraph *a* of the first paragraph by the following:

“1029.8.36.0.0.5. A corporation that, for a taxation year, is a qualified corporation and encloses with its fiscal return it is required to file for the year under section 1000 the prescribed form containing the prescribed information and a copy of the valid favourable advance ruling or a valid certificate that is given or issued by the Société de développement des entreprises culturelles in respect of a property that is a qualified production or a qualified low-budget production, is deemed, subject to the second paragraph, where the application for an advance ruling has been filed or, in the absence of such an application, where the application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation’s balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to”.

(2) Subsection 1 applies to taxation years that begin after 31 March 2003. However, where the portion of the first paragraph of section 1029.8.36.0.0.5 of the said Act before subparagraph *a* applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate has been filed with the Société de développement des entreprises culturelles before 1 May 2003, it shall be read as follows:

“1029.8.36.0.0.5. A corporation that, for a taxation year, is a qualified corporation and encloses with its fiscal return it is required to file for the year under section 1000 the prescribed form containing the prescribed information and a copy of the valid certificate issued by the Société de développement des entreprises culturelles in respect of a property that is a qualified production or a qualified low-budget production, is deemed, subject to the second paragraph, where the main filming or taping of the property began before the end of the

year, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to".

310. (1) Section 1029.8.36.0.0.6 of the said Act is replaced by the following section:

“1029.8.36.0.0.6. Subject to sections 1010 to 1011, for the purposes of section 1029.8.36.0.0.5, where the Société de développement des entreprises culturelles replaces or revokes a favourable advance ruling or a certificate given or issued by it in respect of a property that is a qualified production or a qualified low-budget production, the following rules apply:

(a) the replaced favourable advance ruling is null from the time it was given or deemed given, and the new favourable advance ruling is deemed to have been given at that time;

(b) the replaced certificate is null from the time it was issued or deemed issued, and the new certificate is deemed to have been issued at that time; and

(c) the revoked favourable advance ruling or certificate is null from the time the revocation becomes effective.

The revoked favourable advance ruling referred to in subparagraph *c* of the first paragraph is deemed not to have been given as of the effective date specified in the notice of revocation and the revoked certificate referred to in that subparagraph *c* is deemed not to have been issued as of that date.”

(2) Subsection 1 applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

311. (1) Section 1029.8.36.0.0.7 of the said Act is amended

(1) by replacing paragraph *a* of the definition of “labour expenditure” in the first paragraph and the portion of paragraph *b* of that definition before subparagraph *i* by the following:

“(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services rendered in Québec for eligible production work relating to the property carried out before the completion date of the master of the property or in

relation to eligible production work relating to the property carried out after that date within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that are paid by the corporation to its eligible employees; and

“(b) the portion of the remuneration, other than salary or wages, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, that relates to services rendered in Québec to the corporation for eligible production work relating to the property carried out before the completion date of the master of the property or in relation to eligible production work relating to the property carried out after that date within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that is paid by the corporation”;

(2) by replacing subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“ii. the aggregate of

(1) the amount of any government assistance and non-government assistance 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 year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, under subparagraph i of subparagraph *c* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year, and

(2) the amount of any benefit or advantage that the corporation has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, 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, to the extent that that amount has not, under subparagraph ii of subparagraph *c* of the second paragraph, reduced the amount of that labour expenditure of the corporation for that preceding year; and”;

(3) by replacing subparagraph i of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“i. 45% of the amount by which the production costs directly attributable to the production of the property that are incurred by the corporation before the end of the year in respect of the property until the completion date of the

master of the property or within a period that is reasonable to the Minister but that shall not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that are paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs, 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 year and that it has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs, that the corporation has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for the year, 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, exceeds";

(4) by replacing the definition of "eligible employee" in the first paragraph by the following definition:

"eligible employee" of an individual, a corporation or a partnership means, in respect of a property that is a qualified sound recording, an individual resident in Québec at any time in the calendar year in which the individual carries out eligible production work relating to the property;"

(5) by replacing "une attestation rendue ou délivrée" in the French text of the definition of "enregistrement sonore admissible" in the first paragraph by "un certificat rendue ou délivré";

(6) by replacing the definition of "eligible individual" in the first paragraph by the following definition:

"eligible individual" means, in respect of a property that is a qualified sound recording, an individual resident in Québec at any time in the calendar year in which the individual carries out eligible production work relating to the property;"

(7) by inserting the following paragraph after paragraph *a* of the definition of "excluded corporation" in the first paragraph:

"(a.1) a corporation that would be, at any time in the year or during the 24 months preceding the year, controlled by a particular person, if each share of the capital stock of the corporation owned by a person not resident in Québec were owned by the particular person;"

(8) by inserting "and whose mission is cultural" after "in the year" in paragraph *c* of the definition of "excluded corporation" in the first paragraph;

(9) by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) the amount of the labour expenditure of a corporation for a taxation year in respect of a property shall be reduced, where applicable, by the aggregate of

i. the amount of any government assistance and 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 corporation’s filing-due date for the year, and

ii. the amount of any benefit or advantage attributable to that expenditure, 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, that the corporation has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for the year; and”;

(10) by inserting the following paragraph after the second paragraph:

“For the purposes of the definitions of “labour expenditure” and “qualified labour expenditure” in the first paragraph, the following rules apply:

(a) the date to which those definitions refer is the date that is 18 months after the end of the corporation’s fiscal period that includes the completion date of the master copy of the property; and

(b) no expenditure may be taken into consideration in computing a labour expenditure of a corporation for a taxation year in respect of a property that is a qualified sound recording, or production costs directly attributable to the production of such a property incurred before the end of the year, unless the expenditure is paid at the time the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.8 for that taxation year.”;

(11) by replacing the third paragraph by the following paragraph:

“For the purposes of subparagraph i of paragraph b of the definition of “qualified labour expenditure” in the first paragraph, the following rules apply:

(a) the production costs directly attributable to the production of a property that is a qualified sound recording are

i. the portion of the production costs, other than the production fees and administration costs, to the extent that they are reasonable in the circumstances and included in the production cost, cost or capital cost, as the case may be, of the property to the corporation, and

ii. the production fees and administration costs, to the extent that they are reasonable in the circumstances;

(b) the production costs directly attributable to the production of a property that is a qualified sound recording include the portion of the cost of acquisition of a particular property, owned by the corporation and used by it as part of the production of the property, which corresponds to the portion of the depreciation of the particular property, for a taxation year, determined in accordance with the generally accepted accounting principles, relating to the use of the particular property by the corporation in the year, as part of the production of the property; and

(c) the amount of a benefit attributable to production costs includes the portion of the proceeds of disposition by a corporation of a particular property used by it as part of the production of a property that is a qualified sound recording that relates to the portion of the cost of acquisition of the particular property that has already been included in the production costs of the property as a depreciation up to the amount of the portion of the acquisition cost of the particular property that has already been so included in the production costs of the property.”;

(12) by adding the following paragraphs after the fifth paragraph:

“For the purposes of paragraph *c* of the definition of “excluded corporation” in the first paragraph, a corporation whose mission is cultural does not include a corporation whose mandate consists in making investments.

“In the case of a property referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.0.8, the definition of “qualified labour expenditure” in the first paragraph shall be read, in respect of that property, with “300%”, wherever it appears, replaced by “342.85%”.”

(2) Paragraphs 1, 3 to 7 and 11 of subsection 1 apply in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003. However, where subparagraph *i* of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph of section 1029.8.36.0.0.7 of the said Act applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles before 13 December 2003, it shall be read as follows:

“i. 45% of the amount by which the production costs directly attributable to the production of the property that are incurred by the corporation before the end of the year in respect of the property until the completion date of the master of the property or within a period that is reasonable to the Minister but that shall not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that are paid by the corporation, exceeds the amount of any government assistance and non-government assistance attributable to those costs, 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 year and that it has not repaid at that time pursuant to a legal obligation, exceeds”.

(3) Paragraphs 2 and 9 of subsection 1 apply in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 12 December 2003.

(4) Paragraph 8 of subsection 1 and paragraph 12 of that subsection, where it enacts the seventh paragraph of section 1029.8.36.0.0.7 of the said Act, apply to taxation years that end after 9 March 1999.

(5) Paragraph 10 of subsection 1 applies to taxation years that end after 5 July 2001. However, where the third paragraph of section 1029.8.36.0.0.7 of the said Act applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles before 1 May 2003, it shall be read as follows:

“For the purposes of the definitions of “labour expenditure” and “qualified labour expenditure” in the first paragraph, no expenditure may be taken into consideration in computing a labour expenditure of a corporation for a taxation year in respect of a property that is a qualified sound recording, or production costs directly attributable to the production of such a property incurred before the end of the year, unless the expenditure is paid at the time the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.8 for that taxation year.”

(6) Paragraph 12 of subsection 1, where it enacts the eighth paragraph of section 1029.8.36.0.0.7 of the said Act, has effect from 12 June 2003.

312. (1) Section 1029.8.36.0.0.8 of the said Act is amended

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

“1029.8.36.0.0.8. A qualified corporation that, in a taxation year, produces a sound recording and encloses with its fiscal return it is required to file for the year under section 1000 a copy of the valid favourable advance ruling given or valid certificate issued by the Société de développement des entreprises culturelles in respect of a property that is a qualified sound recording and the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, where the application for an advance ruling has been filed or, in the absence of such an application, where the application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, 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

(a) in the case of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 31 August 2003 or for which, despite the filing of an application for an advance ruling with the Société de développement des entreprises culturelles before 1 September 2003, the Société de développement des entreprises culturelles considers that the work surrounding the property was not sufficiently advanced on 12 June 2003, 29.1667% of its qualified labour expenditure for the year in respect of that property; and

(b) in any other case, 33 1/3% of its qualified labour expenditure for the year in respect of that property.”;

(2) by replacing “l’attestation rendue ou délivrée” in the French text of the third paragraph by “le certificat rendue ou délivré”;

(3) by adding the following paragraph after the third paragraph:

“In the case of a property referred to in subparagraph *a* of the first paragraph, the third paragraph shall be read, in respect of that property, with “\$50,000”, wherever it appears, replaced by “\$43,750”.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 12 June 2003 except where that paragraph 1 replaces “de l’attestation valide rendue ou délivrée” in the French text of the first paragraph of section 1029.8.36.0.0.8 of the said Act by “du certificat valide rendue ou délivré” and where it inserts “where the application for an advance ruling has been filed or, in the absence of such an application, where the application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year,” in that paragraph, in which cases it applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

(3) Paragraph 2 of subsection 1 applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

313. (1) Section 1029.8.36.0.0.9 of the said Act is amended

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

“**1029.8.36.0.0.9.** Subject to sections 1010 to 1011, for the purposes of section 1029.8.36.0.0.8, where the Société de développement des entreprises culturelles replaces or revokes a favourable advance ruling or a certificate given or issued by it, in respect of a property that is a qualified sound recording, the following rules apply:”;

(2) by replacing the portion after subparagraph *a* of the first paragraph by the following:

“(b) the replaced certificate is null from the time it was issued or deemed issued, and the new certificate is deemed to have been issued at that time; and

(c) a revoked favourable advance ruling or certificate is null from the time the revocation becomes effective.

The revoked favourable advance ruling referred to in subparagraph *c* of the first paragraph is deemed not to have been given as of the effective date specified in the notice of revocation and the revoked certificate referred to in that subparagraph *c* is deemed not to have been issued as of that date.”

(2) Subsection 1 applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

314. (1) Section 1029.8.36.0.0.10 of the said Act is amended

(1) by replacing paragraph *a* of the definition of “labour expenditure” in the first paragraph and the portion of paragraph *b* of that definition before subparagraph *i* by the following:

“(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services rendered in relation to the stages of production of the property, from the pre-production stage to the performance before an audience, or in relation to another stage of production of the property carried out after the performance before an audience within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that are paid by the corporation to its eligible employees; and

“(b) the portion of the remuneration, other than salary or wages, that relates to services rendered to the corporation in relation to the production of the property and that is related to the stages of production of the property provided for in paragraph *a*, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by

the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, and that is paid by the corporation”;

(2) by replacing subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“ii. the aggregate of

(1) the amount of any government assistance and non-government assistance 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 year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, under subparagraph i of subparagraph *d* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year, and

(2) the amount of any benefit or advantage that the corporation has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, 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, to the extent that that amount has not, under subparagraph ii of subparagraph *d* of the second paragraph, reduced the amount of that labour expenditure of the corporation for that preceding year; and”;

(3) by replacing subparagraph i of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“i. 45% of the amount by which the production costs directly attributable to the production of the property that are incurred by the corporation before the end of the year in respect of the property until the performance of the property before an audience or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that are paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs, 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 year and that it has not repaid at that time pursuant to a legal obligation, and

(2) the amount of any benefit or advantage attributable to those costs, that the corporation has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for the year, 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, exceeds”;

(4) by replacing the definitions of “eligible employee” and “eligible individual” in the first paragraph by the following definitions:

““eligible employee” of an individual, a corporation or a partnership means, in respect of a property that is a qualified performance, an individual resident in Québec at any time in the calendar year in which the individual renders services as part of the production of the property;

““eligible individual” means, in respect of a property that is a qualified performance, an individual resident in Québec at any time in the calendar year in which the individual renders services as part of the production of the property;”;

(5) by inserting the following paragraph after paragraph *a* of the definition of “qualified corporation” in the first paragraph:

“(a.1) a corporation that, at any time in the year or during the 24 months preceding the year, would be controlled by a particular person, if each share of the capital stock of the corporation owned by a person not resident in Québec were owned by the particular person;”;

(6) by inserting “and whose mission is cultural” after “in the year” in paragraph *c* of the definition of “qualified corporation” in the first paragraph;

(7) by replacing subparagraph *d* of the second paragraph by the following subparagraph:

“(d) the amount of the labour expenditure of a corporation for a taxation year in respect of a property shall be reduced, where applicable, by the aggregate of

i. the amount of any government assistance and 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 corporation’s filing-due date for the year, and

ii. the amount of any benefit or advantage attributable to that expenditure, 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, that the corporation has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for the year; and”;

(8) by inserting the following paragraph after the second paragraph:

“For the purposes of the definitions of “labour expenditure” and “qualified labour expenditure” in the first paragraph, the following rules apply:

(a) the date to which those definitions refer is the date that is 18 months after the end of the corporation's fiscal period that includes the date on which any of the three periods in respect of which an amount is deemed to have been paid by the corporation under section 1029.8.36.0.0.11 is completed; and

(b) no expenditure may be taken into consideration in computing a labour expenditure of a corporation for a taxation year in respect of a property that is a qualified performance, or production costs directly attributable to the production of the property incurred before the end of the year, unless the expenditure is paid at the time the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.11 for that taxation year.”;

(9) by replacing the third paragraph by the following paragraph:

“For the purposes of subparagraph i of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph, the following rules apply:

(a) the production costs directly attributable to the production of a property that is a qualified performance are the following amounts, but do not include however the costs incurred for the broadcasting or promotion of the property:

i. the portion of the production costs, other than the production fees and administration costs, to the extent that they are reasonable in the circumstances and included in the production cost, cost or capital cost, as the case may be, of the property to the corporation, and

ii. the production fees and administration costs, to the extent that they are reasonable in the circumstances;

(b) the production costs directly attributable to the production of a property that is a qualified performance include the portion of the cost of acquisition of a particular property, owned by the corporation and used by it as part of the production of the property, which corresponds to the portion of the depreciation of the particular property, for a taxation year, determined in accordance with the generally accepted accounting principles, relating to the use of the particular property by the corporation in the year, as part of the production of the property; and

(c) the amount of a benefit attributable to production costs includes the portion of the proceeds of disposition by a corporation of a particular property used by it as part of the production of a property that is a qualified performance that relates to the portion of the cost of acquisition of the particular property that has already been included in the production costs of the property as a depreciation up to the amount of the portion of the cost of acquisition of the particular property that has already been so included in the production costs of the property.”;

(10) by adding the following paragraphs after the fifth paragraph:

“For the purposes of paragraph *c* of the definition of “qualified corporation” in the first paragraph, a corporation whose mission is cultural does not include a corporation whose mandate consists in making investments.

“Where the amount deemed to have been paid to the Minister by a corporation on account of its tax payable for a taxation year under section 1029.8.36.0.0.1 is determined in relation to the portion of a qualified labour expenditure referred to in subparagraph *a* of the first paragraph of that section, the definition of “qualified labour expenditure” in the first paragraph shall be read with “300%”, wherever it appears, replaced by “342.85%”.”

(2) Paragraphs 1, 3, 4, 8 and 9 of subsection 1 apply in respect of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003. However, where subparagraph *i* of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph of section 1029.8.36.0.0.10 of the said Act applies in respect of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles before 12 December 2003, it shall be read as follows:

“i. 45% of the amount by which the production costs directly attributable to the production of the property that are incurred by the corporation before the end of the year in respect of the property until the performance before an audience or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph, and that are paid by the corporation, exceeds the amount of any government assistance and non-government assistance attributable to those costs, 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 year and that it has not repaid at that time pursuant to a legal obligation, exceeds”.

(3) Paragraphs 2 and 7 of subsection 1 apply in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 12 December 2003.

(4) Paragraph 5 of subsection 1 applies to taxation years that begin after 11 March 2003.

(5) Paragraph 6 of subsection 1 and paragraph 10 of that subsection, where it enacts the seventh paragraph of section 1029.8.36.0.0.10 of the said Act, apply to taxation years that end after 9 March 1999.

(6) Paragraph 10 of subsection 1, where it enacts the eighth paragraph of section 1029.8.36.0.0.10 of the said Act, has effect from 12 June 2003.

315. (1) Section 1029.8.36.0.0.11 of the said Act is amended

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

“1029.8.36.0.0.11. A qualified corporation that, in a taxation year, produces a performance and encloses with its fiscal return it is required to file for the year under section 1000 the prescribed form containing the prescribed information and a copy of the valid favourable advance ruling given or valid certificate issued by the Société de développement des entreprises culturelles in respect of a property that is a qualified performance for any of the periods provided for in the definition of “qualified performance” in the first paragraph of section 1029.8.36.0.0.10 that is in whole or in part within the year, is deemed, subject to the second paragraph, where the application for an advance ruling has been filed or, in the absence of such an application, where the application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation’s balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to

(a) 29.1667% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property after 12 June 2003, other than an expenditure incurred in respect of the period referred to in paragraph *a* of the definition of “qualified performance” in the first paragraph of section 1029.8.36.0.0.10 for which an application for an advance ruling or, in the absence of such an application, an application for a certificate has been filed before 1 September 2003 with the Société de développement des entreprises culturelles and to the extent that the Société de développement des entreprises culturelles considers, in the case of an application for an advance ruling, that the pre-production work surrounding the property was sufficiently advanced on 12 June 2003; and

(b) 33 1/3% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property that is not referred to in subparagraph *a.*”;

(2) by replacing “l’attestation rendue ou délivrée” in the French text of the third paragraph by “le certificat rendue ou délivré”;

(3) by adding the following paragraph after the third paragraph:

“Where the amount deemed to have been paid to the Minister by a corporation on account of its tax payable for a taxation year under this section is determined in relation to the portion of a qualified labour expenditure referred to in subparagraph *a* of the first paragraph, the third paragraph shall be read with “\$300,000”, wherever it appears, replaced by “\$262,500”.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 12 June 2003 except where paragraph 1 replaces “de l’attestation valide rendue ou délivrée” in the French text of the first paragraph of section 1029.8.36.0.0.11 of the said Act by “du certificat valide rendue ou délivré” and where it inserts “where the application for an advance ruling has been filed or, in the absence of such an

application, where the application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year,” in that paragraph, in which cases it applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

(3) Paragraph 2 of subsection 1 applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

(4) However, where section 1029.8.36.0.0.11 of the said Act applies in respect of property for which a corporation is deemed to have paid, to the Minister of Revenue on account of its tax payable for a taxation year, an amount determined in relation to the portion of a qualified labour expenditure referred to in subparagraph *a* of the first paragraph and in relation to the portion of a qualified labour expenditure referred to in subparagraph *b* of that paragraph, it shall be read with the third and fourth paragraphs replaced by the following paragraphs:

“The amount that a corporation is deemed to have paid to the Minister, under the first paragraph, on account of its tax payable for a taxation year under this Part in respect of a property that is a qualified performance shall not exceed the amount by which, where the property is co-produced by the corporation and one or more other qualified corporations, the amount obtained by applying to the amount determined by the following formula the corporation’s share, expressed as a percentage, of the production costs in relation to the production of the property that is specified in the favourable advance ruling given or the certificate issued by the Société de développement des entreprises culturelles in respect of the property or, in any other case, the amount determined by the following formula, exceeds 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 under this paragraph in respect of the property for a preceding taxation year ending after 12 June 2003 exceeds the aggregate of all amounts each of which is an amount that the corporation is required to pay under section 1129.4.0.14 in respect of the property for a preceding taxation year:

$$[1 - A / B] \times \$262,500.$$

“In the formula provided for in the third paragraph,

(*a*) A is the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid under the first paragraph and determined in relation to the portion of a qualified labour expenditure referred to in subparagraph *b* of that paragraph; and

(*b*) B is

i. where the property is co-produced by the corporation and one or more other qualified corporations, the product obtained by multiplying \$300,000 by the corporation's share, expressed as a percentage, of the production costs in relation to the production of the property that is specified in the favourable advance ruling given or the certificate issued by the Société de développement des entreprises culturelles in respect of the property, and

ii. in any other case, \$300,000.”

316. (1) Section 1029.8.36.0.0.12 of the said Act is amended

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

“**1029.8.36.0.0.12.** Subject to sections 1010 to 1011, for the purposes of section 1029.8.36.0.0.11, where the Société de développement des entreprises culturelles replaces or revokes a favourable advance ruling or a certificate given or issued by it, in respect of a property that is a qualified performance, the following rules apply:”;

(2) by replacing the portion after subparagraph *a* of the first paragraph by the following:

“(b) the replaced certificate is null from the time it was issued or deemed issued, and the new certificate is deemed to have been issued at that time; and

(c) a revoked favourable advance ruling or certificate is null from the time the revocation becomes effective.

The favourable advance ruling referred to in subparagraph *c* of the first paragraph is deemed not to have been given and the revoked certificate referred to in that subparagraph is deemed not to have been issued as of the effective date specified in the notice of revocation.”

(2) Subsection 1 applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

317. (1) Section 1029.8.36.0.0.13 of the said Act is amended

(1) by replacing “means” in the portion of the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph before paragraph *a* by “means, subject to the fourth paragraph,”;

(2) by replacing the portion of subparagraph *i* of paragraph *b* of the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph before subparagraph 1 by the following:

“i. 33 1/3% of the amount by which the printing costs directly attributable to the printing of the property that the corporation incurred before the end of the year in respect of the property to the extent that they relate to services rendered in Québec for the eligible printing work relating to the property before the date on which the first printing of the property that is an eligible work or the property that is the last work that is part of an eligible group of works is completed or within a period that is reasonable to the Minister but that shall not extend beyond the date provided for in subparagraph *a* of the fourth paragraph, and that are paid by the corporation, exceeds the aggregate of”;

(3) by replacing “means” in the portion of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph before paragraph *a* by “means, subject to the fourth paragraph,”;

(4) by replacing “fourth” in subparagraph 2 of subparagraph *i* of paragraph *a* of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph and in subparagraph 2 of subparagraph *ii* of that paragraph *a* by “fifth”;

(5) by replacing the portion of subparagraph *i* of paragraph *b* of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph before subparagraph 1 by the following:

“i. 50% of the amount by which the preparation costs directly attributable to the preparation of the property that the corporation incurred before the end of the year in respect of the property to the extent that they relate to services rendered in Québec for the eligible preparation work relating to the property before the date on which the first printing of the property that is an eligible work or the property that is the last work that is part of an eligible group of works is completed or within a period that is reasonable to the Minister but that shall not extend beyond the date provided for in subparagraph *a* of the fourth paragraph, and that are paid by the corporation, exceeds the aggregate of”;

(6) by replacing “the third paragraph” in the portion of the definition of “labour expenditure attributable to printing costs” in the first paragraph before paragraph *a* by “the third and fourth paragraphs”;

(7) by replacing paragraphs *a* to *c* of the definition of “labour expenditure attributable to printing costs” in the first paragraph by the following paragraphs:

“(a) the salaries or wages directly attributable to the printing of the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services

rendered in Québec for eligible printing work relating to the property before the date on which the first printing of the property that is an eligible work or the property that is the last work that is part of an eligible group of works is completed or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the fourth paragraph, and that are paid by the corporation to its eligible employees;

“(b) the portion of the remuneration, other than salary or wages or a non-repayable advance, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate for services rendered in Québec to the corporation for eligible printing work that relates to the property pursuant to a contract entered into in respect of the property, and that is paid by the corporation,

i. to an eligible individual who carries on a business in Québec and has an establishment in Québec and who is not dealing at arm’s length with the corporation at the time the contract is entered into, to the extent that that portion of remuneration is reasonably attributable to services personally rendered in Québec by the eligible individual in connection with the printing of the property or to the wages of the individual’s eligible employees that relate to services rendered in Québec by the individual’s eligible employees in connection with the printing of the property,

ii. to a particular corporation that has an establishment in Québec and that is not dealing at arm’s length with the corporation at the time the contract is entered into, other than a particular corporation referred to in subparagraph iii, to the extent that that portion of remuneration is reasonably attributable to the wages paid to the particular corporation’s eligible employees that relate to services rendered in Québec by the particular corporation’s eligible employees in connection with the printing of the property,

iii. to a particular corporation that has an establishment in Québec and that is not dealing at arm’s length with the corporation at the time the contract is entered into, all the issued capital stock of which, other than qualifying shares, belongs to an eligible individual, and whose activities consist principally in providing the eligible individual’s services, to the extent that that portion of remuneration is reasonably attributable to services rendered in Québec by the eligible individual in connection with the printing of the property, or

iv. to a partnership that carries on a business in Québec and has an establishment in Québec and that is not dealing at arm’s length with the corporation at the time the contract is entered into, to the extent that that portion of remuneration is reasonably attributable to services rendered in Québec in connection with the printing of the property, by an individual who is a member of the partnership, or to the wages paid to the partnership’s

eligible employees that relate to services rendered in Québec by the partnership's eligible employees in connection with the printing of the property; and

“(c) one-third of the consideration, other than salary or wages or a non-repayable advance, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, one-third of the portion of the consideration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate pursuant to a contract entered into in respect of the property, and that is paid by the corporation, for services rendered in Québec to the corporation for eligible printing work by an eligible individual or by a corporation or partnership having an establishment in Québec, other than an employee of the corporation, with whom or with which the corporation is dealing at arm's length at the time the contract is entered into;”;

(8) by replacing “the fourth paragraph” in the portion of the definition of “labour expenditure attributable to preparation costs” in the first paragraph before paragraph *a* by “the fourth and fifth paragraphs”;

(9) by replacing paragraphs *a* to *d* of the definition of “labour expenditure attributable to preparation costs” in the first paragraph by the following paragraphs:

“(a) the salaries or wages directly attributable to the preparation of the property that are incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, to the extent that they relate to services rendered in Québec for eligible preparation work relating to the property before the date on which the first printing of the property that is an eligible work or the property that is the last work that is part of an eligible group of works is completed or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the fourth paragraph, and that are paid by the corporation to its eligible employees;

“(b) the non-refundable advances directly attributable to the preparation of the property, to the extent that the services for the eligible preparation work in respect of the property were rendered in Québec, that are incurred by the corporation in the year pursuant to a contract entered into in respect of the property, and that are paid by the corporation to a Québec author or a holder of the rights of a Québec author, except such advances paid to a holder of the rights of a Québec author for the acquisition of rights on the existing material;

“(c) the portion of the remuneration, other than salary or wages or a non-repayable advance, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate for services rendered in Québec to the corporation for eligible preparation work that relates to the property pursuant to a contract entered into in respect of the property, and that is paid by the corporation,

i. to an eligible individual who carries on a business in Québec and has an establishment in Québec and who is not dealing at arm’s length with the corporation at the time the contract is entered into, to the extent that that portion of remuneration is reasonably attributable to services personally rendered in Québec by the eligible individual in connection with the preparation of the property or to the wages of the individual’s eligible employees that relate to services rendered in Québec by the individual’s eligible employees in connection with the preparation of the property,

ii. to a particular corporation that has an establishment in Québec and that is not dealing at arm’s length with the corporation at the time the contract is entered into, other than a particular corporation referred to in subparagraph iii, to the extent that that portion of remuneration is reasonably attributable to the wages paid to the particular corporation’s eligible employees that relate to services rendered in Québec by the particular corporation’s eligible employees in connection with the preparation of the property,

iii. to a particular corporation that has an establishment in Québec and that is not dealing at arm’s length with the corporation at the time the contract is entered into, all the issued capital stock of which, other than qualifying shares, belongs to an eligible individual, and whose activities consist principally in providing the eligible individual’s services, to the extent that that portion of remuneration is reasonably attributable to services rendered in Québec by the eligible individual in connection with the preparation of the property, or

iv. to a partnership that carries on a business in Québec and has an establishment in Québec and that is not dealing at arm’s length with the corporation at the time the contract is entered into, to the extent that that portion of remuneration is reasonably attributable to services rendered in Québec in connection with the preparation of the property, by an individual who is a member of the partnership, or to the wages paid to the partnership’s eligible employees that relate to services rendered in Québec by the partnership’s eligible employees in connection with the preparation of the property; and

“(d) half of the consideration, other than salary or wages or a non-repayable advance, that is incurred by the corporation in the year and, where the year is the taxation year in which the corporation files an application for an advance

ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, half of the consideration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate pursuant to a contract entered into in respect of the property, and that is paid by the corporation, for services rendered in Québec to the corporation for eligible preparation work by an eligible individual or by a corporation or partnership having an establishment in Québec, other than an employee of the corporation, with whom or with which the corporation is dealing at arm's length at the time the contract is entered into;"

(10) by inserting the following definitions in alphabetical order in the first paragraph:

““eligible employee” of an individual, a corporation or a partnership, for a taxation year, means, in respect of a property that is an eligible work or a work that is part of an eligible group of works, an individual resident in Québec at any time in the calendar year in which the individual carries out eligible preparation work or eligible printing work relating to the property;

““eligible individual”, for a taxation year, means, in respect of a property that is an eligible work or a work that is part of an eligible group of works, an individual resident in Québec at any time in the calendar year in which the individual carries out eligible preparation work or eligible printing work relating to the property;”;

(11) by inserting the following paragraph after paragraph *a* of the definition of “excluded corporation” in the first paragraph:

“(a.1) a corporation that would be, at any time in the year or during the 24 months preceding the year, controlled by a particular person, if each share of the capital stock of the corporation owned by a person not resident in Québec were owned by the particular person;”;

(12) by inserting the following paragraph after the third paragraph:

“For the purposes of the definitions of “labour expenditure attributable to preparation costs”, “labour expenditure attributable to printing costs”, “qualified labour expenditure attributable to preparation costs” and “qualified labour expenditure attributable to printing costs” in the first paragraph, the following rules apply:

(a) the date to which those definitions refer is the date that is 18 months after the end of the corporation's fiscal period that includes the date on which the first printing of the property that is an eligible work or the property that is the last work that is part of an eligible group of works is completed; and

(b) no expenditure may be taken into consideration in computing a labour expenditure attributable to printing costs or to preparation costs of a corporation for a taxation year in respect of a property that is an eligible work or a work

that is part of an eligible group of works, or printing costs or preparation costs directly attributable to the printing or preparation of the property incurred before the end of the year, unless the expenditure is paid at the time the corporation first files with the Minister the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.14 for that taxation year.”;

(13) by replacing the fifth and sixth paragraphs by the following paragraphs:

“For the purposes of this division, the printing costs directly attributable to the printing of a property that is an eligible work or a work that is part of an eligible group of works incurred before the end of a taxation year are the costs, other than publishing fees and administration costs, incurred by the corporation for the first printing, first assembly and first binding of the property.

“For the purposes of this division, the preparation costs directly attributable to the preparation of a property that is an eligible work or a work that is part of an eligible group of works incurred before the end of a taxation year are

(a) the preparation costs, other than publishing fees and administration costs, including non-refundable advances paid to the author or authors, editing, design, research, art work, mock-up production, layout, typesetting and pre-press costs; and

(b) the publishing fees and administration costs pertaining to the property that are reasonable in the circumstances.”;

(14) by replacing “fourth” in subparagraph i of subparagraph a of the eighth paragraph by “fifth”;

(15) by adding the following paragraph after the tenth paragraph:

“In the case of a property referred to in subparagraph a of the first paragraph of section 1029.8.36.0.0.14, the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph shall be read, in respect of the property, with “333 1/3%”, wherever it appears, replaced by “380.95%” and the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph shall be read, in respect of the property, with “250%”, wherever it appears, replaced by “285.7143%.”

(2) Paragraphs 1 to 10 and 12 to 14 of subsection 1 apply in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003. In addition, where paragraph b of the definition of “labour expenditure attributable to preparation costs” in the first paragraph of section 1029.8.36.0.0.13 of the said Act applies in respect of taxation years that end after 5 July 2001, it shall be read with “, except such advances paid to a holder of the rights of a Québec author for the acquisition of rights on existing material” inserted after “Québec author”.

(3) Paragraph 11 of subsection 1 applies to taxation years that begin after 11 March 2003.

(4) Paragraph 15 of subsection 1 has effect from 12 June 2003.

318. (1) Section 1029.8.36.0.0.14 of the said Act is amended

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

“1029.8.36.0.0.14. A qualified corporation that, in a taxation year, publishes a property that is an eligible work or a work that is part of an eligible group of works and encloses with its fiscal return it is required to file for the year under section 1000 a copy of the valid favourable advance ruling given or valid certificate issued by the Société de développement des entreprises culturelles in respect of the property and the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, where the application for an advance ruling has been filed or, in the absence of such an application, an application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation’s balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to

(a) in the case of a property for which an application for an advance ruling is filed or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 31 August 2003 or for which, despite the filing of an application for an advance ruling with the Société de développement des entreprises culturelles before 1 September 2003, the Société de développement des entreprises culturelles considers that the work surrounding the property was not sufficiently advanced on 12 June 2003, the aggregate of

i. an amount equal to 35% of its qualified labour expenditure attributable to preparation costs for the year in respect of that property, and

ii. an amount equal to 26.25% of its qualified labour expenditure attributable to printing costs for the year in respect of that property; and

(b) in any other case, the aggregate of

i. an amount equal to 40% of its qualified labour expenditure attributable to preparation costs for the year in respect of that property, and

ii. an amount equal to 30% of its qualified labour expenditure attributable to printing costs for the year in respect of that property.”;

(2) by replacing “l’attestation rendue ou délivrée” in the French text of the third paragraph by “le certificat rendue ou délivré”;

(3) by adding the following paragraph after the third paragraph:

“In the case of a property referred to in subparagraph *a* of the first paragraph, the third paragraph shall be read, in respect of that property, with “\$500,000”, wherever it appears, replaced by “\$437,500”.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 12 June 2003 except where that paragraph 1 replaces “de l’attestation valide rendue ou délivrée” in the French text of the first paragraph of section 1029.8.36.0.0.14 of the said Act by “du certificat valide rendue ou délivré” and where it inserts “where the application for an advance ruling has been filed or, in the absence of such an application, an application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles before the end of the year,” in that paragraph, in which cases it applies in respect of property for which the application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

(3) Paragraphs 1 and 2 of subsection 1 apply in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

319. (1) Section 1029.8.36.0.0.15 of the said Act is amended, in the French text,

(1) by replacing “une décision préalable favorable ou une attestation qu’elle avait rendue ou délivrée” in the portion before paragraph *a* by “une décision préalable favorable ou un certificat qu’elle a rendue ou délivré”;

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

“*b*) le certificat remplacé est nul à compter du moment où il a été délivré ou réputé délivré et le nouveau certificat est réputé avoir été délivré à ce moment.”

(2) Subsection 1 applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

320. (1) Section 1029.8.36.0.3.8 of the said Act is amended

(1) by replacing the portion of the definition of “qualified corporation” in the first paragraph before paragraph *a* by the following:

““qualified corporation” for a taxation year means a corporation that, in the year, has an establishment in Québec, carries on therein a qualified business and holds a favourable advance ruling given or a qualification certificate issued by Investissement Québec in respect of property that is a multimedia title for the purposes of this division, but does not include”;

(2) by replacing the definition of “multimedia title” in the first paragraph by the following definition:

““multimedia title” of a corporation means an organized set of numerical information in respect of which Investissement Québec certifies, on the favourable advance ruling given or the qualification certificate issued to the corporation in respect of the title, that the title qualifies for the purposes of this division;”;

(3) by striking out “certificate,” in the third paragraph.

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of favourable advance rulings given or qualification certificates issued in relation to multimedia titles after 12 June 2003.

(3) Paragraph 3 of subsection 1 has effect from 13 June 2003.

321. (1) Section 1029.8.36.0.3.9 of the said Act is amended

(1) by striking out “valid certificate,” in the first paragraph;

(2) by inserting the following subparagraphs after subparagraph *b* of the third paragraph:

“(b.1) 37.5%, in the case where Investissement Québec certifies that the property is produced without having been ordered, is to be commercialized and is available in a French version;

“(b.2) 30%, in the case where Investissement Québec certifies that the property is produced without having been ordered, is to be commercialized and is not available in a French version; and”;

(3) by replacing “35%” in subparagraph *c* of the third paragraph by “26.25%”.

(2) Paragraph 1 of subsection 1 has effect from 13 June 2003.

(3) Paragraph 2 of subsection 1 has effect from 20 December 2002. However, where section 1029.8.36.0.3.9 of the said Act applies in relation to labour expenditures incurred in respect of multimedia titles in respect of which Investissement Québec considers that the main production work in relation to that title began before 13 June 2003, it shall be read with the reference to “37.5%” in subparagraph *b.1* of the third paragraph replaced by a reference to “50%” and the reference to “30%” in subparagraph *b.2* of that third paragraph replaced by a reference to “40%”.

(4) Paragraph 3 of subsection 1 applies in relation to labour expenditures incurred in respect of multimedia titles in respect of which Investissement Québec considers that the main production work in relation to that title began after 12 June 2003.

322. (1) Section 1029.8.36.0.3.10 of the said Act is amended

(1) by striking out “a certificate,” in the portion before subparagraph *a* of the first paragraph;

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

(3) by replacing subparagraph *d* of the first paragraph by the following subparagraph:

“(d) the revoked favourable advance ruling is null from the time the revocation becomes effective and the revoked qualification certificate is null from that time.”;

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

“The revoked favourable advance ruling referred to in the first paragraph is deemed not to have been issued as of the effective date specified in the notice of revocation and the revoked qualification certificate referred to in the first paragraph is deemed not to have been issued as of that date.”

(2) Subsection 1 has effect from 13 June 2003.

323. (1) Section 1029.8.36.0.3.18 of the said Act is amended, in the first paragraph,

(1) by replacing the portion of the definition of “qualified corporation” before paragraph *a* by the following:

““qualified corporation” for a taxation year means a corporation that, in the year, has an establishment in Québec, carries on therein a qualified business and holds a final certificate issued by Investissement Québec for the purposes of this division, but does not include”;

(2) by replacing the definition of “eligible multimedia title” by the following definition:

““eligible multimedia title” of a corporation means an organized set of numerical information that is not identified as being an excluded title on the final certificate issued to the corporation by Investissement Québec for the purposes of this division;”.

(2) Paragraph 1 of subsection 1 applies in respect of final certificates issued after 12 June 2003.

(3) Paragraph 2 of subsection 1 applies to taxation years that end after 11 March 2003.

324. (1) Section 1029.8.36.0.3.19 of the said Act is amended by adding the following subparagraphs after subparagraph *c* of the third paragraph:

“(d) 37.5%, where the valid final certificate issued to the corporation for the year certifies that at least 75% of the eligible multimedia titles produced by the corporation in the year are produced without having been ordered, are to be commercialized and are available in a French version, or that at least 75% of its gross revenue for the year is derived from such eligible multimedia titles;

“(e) 30%, where subparagraph *d* does not apply and the valid final certificate issued to the corporation for the year certifies that at least 75% of the eligible multimedia titles produced by the corporation in the year are produced without having been ordered and are to be commercialized, or that at least 75% of its gross revenue for the year is derived from such eligible multimedia titles; and

“(f) 26.25%, where the valid final certificate issued to the corporation for the year certifies that less than 75% of the eligible multimedia titles produced by the corporation in the year are produced without having been ordered and are to be commercialized and that less than 75% of its gross revenue for the year is derived from such eligible multimedia titles.”

(2) Subsection 1 has effect from 19 December 2002. However, where section 1029.8.36.0.3.19 of the said Act applies in respect of labour expenditures incurred before 13 June 2003, it shall be read with the reference to “37.5%” in subparagraph *d* of the third paragraph replaced by a reference to “50%”, the reference to “30%” in subparagraph *e* of that third paragraph replaced by a reference to “40%” and the reference to “26.25%” in subparagraph *f* of that third paragraph replaced by a reference to “35%”.

325. (1) Section 1029.8.36.0.3.46 of the said Act is amended

(1) by replacing the definition of “eligible activity” in the first paragraph by the following definition:

““eligible activity” of a corporation for a taxation year means an activity that the corporation carries on in the year and that, as certified by the qualification certificate referred to in the first paragraph of section 1029.8.36.0.3.48 that Investissement Québec issues to the corporation for the year, is in connection with the development and supplying of products and services relating to e-business or with the operation of e-business solutions;”;

(2) by replacing the definition of “date of the beginning of the operations” in the first paragraph by the following definition:

““date of the beginning of the operations” of a corporation means the effective date specified in the first valid qualification certificate, referred to in the first paragraph of section 1029.8.36.0.3.48, that was issued to the corporation for a taxation year;”;

(3) by replacing “by the Minister of Finance” in the definition of “eligible employee” in the first paragraph by “by Investissement Québec”;

(4) by inserting the following definition in alphabetical order in the first paragraph:

““eligibility period” of a corporation for a taxation year means the portion of the year included in the period that begins on 12 May 2000 and ends,

(a) where the qualification certificate referred to in the first paragraph of section 1029.8.36.0.3.48 that was issued to the corporation for the year is not revoked

i. on 31 December 2010, if the effective date specified in the first valid qualification certificate, referred to in the first paragraph of section 1029.8.36.0.3.48, that was issued to the corporation for a taxation year precedes 1 January 2001, or on the last day of the 10-year period that begins on that effective date, if that effective date is before 1 January 2004 but after 31 December 2000, and

ii. on 31 December 2013, in any other case; or

(b) where the qualification certificate referred to in the first paragraph of section 1029.8.36.0.3.48 that was issued to the corporation for the year is revoked, on the earlier of the day that precedes the day on which the revocation of that certificate is effective and the date that would be determined in accordance with paragraph *a* if it applied to the corporation for that year;”;

(5) by replacing the portion of paragraph *b* of the definition of “qualified wages” in the first paragraph before subparagraph *i* by the following:

“(b) the amount by which the amount of the wages incurred by the qualified corporation in respect of the employee, in the corporation’s eligibility period for the year, while the employee qualified as an eligible employee of the qualified corporation, to the extent that that amount is paid and that it may reasonably be considered to relate to the carrying on of an eligible activity by the eligible employee in the year, exceeds the aggregate of”;

(6) by replacing the definition of “qualified corporation” in the first paragraph by the following definition:

““qualified corporation” for a taxation year means a corporation that, in the year, has an establishment in Québec and carries on a qualified business in Québec and that is not

(a) a tax exempt corporation for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192; or

(c) a corporation control of which is acquired at the beginning of the year or of a preceding taxation year, but after 11 June 2003, by a person or group of persons, unless acquiring control of the corporation

i. occurs after 11 June 2003 and before 1 July 2004, where Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

ii. is by a qualified corporation or by a group of persons all the members of which are qualified corporations, or

iii. derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003;”;

(7) by adding the following paragraph after the third paragraph:

“For the application of the definition of “eligibility period” in the first paragraph to a corporation that, in its taxation year for which its first valid qualification certificate, referred to in the first paragraph of section 1029.8.36.0.3.48, is issued to it, is associated with one or more other qualified corporations, the effective date specified in that first qualification certificate and to which subparagraph *i* of paragraph *a* of that definition refers is deemed to be the earlier of the effective date and all of the dates each of which is the effective date specified in the first qualification certificate that was issued to any of the other qualified corporations.”

(2) Paragraphs 1, 2, 4 and 5 of subsection 1 have effect from 12 May 2000. However, where the first paragraph of section 1029.8.36.0.3.46 of the said Act applies

(1) in respect of qualification certificates issued before 1 April 2003,

(a) the definition of “eligible activity” provided for therein shall be read with the reference to “that Investissement Québec” replaced by a reference to “that the Minister of Finance”, and

(b) the definition of “date of the beginning of the operations” provided for therein shall be read with the reference to “by the Minister of Finance” inserted after the reference to “to the corporation”;

(2) before 1 November 2001, paragraphs *a* and *b* of the definition of “eligibility period” provided for therein shall be read as follows:

“(a) where the qualification certificate referred to in the first paragraph of section 1029.8.36.0.3.48 that was issued to the corporation for the year is revoked, on the earlier of the day preceding the day on which the revocation of the certificate is effective and 31 December 2010; and

“(b) in any other case, 31 December 2010;”.

(3) Paragraph 3 of subsection 1 applies in respect of qualification certificates issued after 31 March 2003.

(4) Paragraph 6 of subsection 1 has effect from 12 June 2003.

(5) Paragraph 7 of subsection 1 has effect from 1 November 2001.

326. (1) Section 1029.8.36.0.3.47 of the said Act is amended

(1) by replacing paragraphs *a* to *c* by the following paragraphs:

“(a) where the taxation year of the qualified corporation ends before 1 January 2001, to the amount obtained by multiplying \$40,000 by the proportion that the number of days in the corporation’s eligibility period for the year during which the employee qualifies as an eligible employee is of 365;

“(b) where the taxation year of the qualified corporation includes 1 January 2001, to the aggregate of

i. the amount obtained by multiplying \$40,000 by the proportion that the number of days in the corporation’s eligibility period for the year that precede 1 January 2001 during which the employee qualifies as an eligible employee is of 365, and

ii. the amount obtained by multiplying \$35,714.29 by the proportion that the number of days in the corporation’s eligibility period for the year that follow 31 December 2000 during which the employee qualifies as an eligible employee is of 365; and

“(c) in any other case, to the amount obtained by multiplying \$35,714.29 by the proportion that the number of days in the corporation’s eligibility period for the taxation year during which the employee qualifies as an eligible employee is of 365;”;

(2) by striking out paragraphs *d* to *f*.

(2) Subsection 1 has effect from 12 May 2000.

327. (1) Section 1029.8.36.0.3.48 of the said Act is amended

(1) by replacing “by the Minister of Finance” in the first paragraph and in subparagraph *b* of the third paragraph by “by Investissement Québec”;

(2) by replacing “paragraph *a* or *b*” in subparagraph *b* of the sixth paragraph by “paragraph *a*”;

(3) by replacing “paragraph *c* or *d*”, wherever it appears, in subparagraph *c* of the sixth paragraph by “paragraph *b*”.

(2) Paragraph 1 of subsection 1 applies in respect of qualification certificates issued after 31 March 2003.

(3) Paragraphs 2 and 3 of subsection 1 have effect from 12 May 2000.

328. (1) Section 1029.8.36.0.3.53 of the said Act is amended by replacing “a valid qualification certificate for the purposes of this division” in the second paragraph by “a valid qualification certificate referred to in the first paragraph of section 1029.8.36.0.3.48”.

(2) Subsection 1 has effect from 12 May 2000.

329. (1) Section 1029.8.36.0.3.56 of the said Act is amended by replacing the portion before subparagraph *a* of the first paragraph by the following:

“**1029.8.36.0.3.56.** Subject to sections 1010 to 1011 and for the purposes of this division, where Investissement Québec replaces or revokes a certificate that was issued to a corporation for a taxation year, the following rules apply:”.

(2) Subsection 1 has effect from 1 April 2003.

330. (1) Section 1029.8.36.0.3.60 of the said Act is amended

(1) by replacing the definition of “eligible employee” in the first paragraph by the following definition:

““eligible employee” of a corporation for a pay period of a calendar year, in relation to a recognized business, means an employee, other than an excluded employee at any time in that period, in respect of whom a qualification certificate is issued to the corporation for the year by Investissement Québec for the purposes of this division, certifying that the employee is an eligible employee of the corporation for the pay period, in relation to the recognized business;”;

(2) by replacing paragraphs *a* and *b* of the definition of “eligible amount” in the first paragraph by the following paragraphs:

“(a) the salary or wages paid by the corporation to an employee in respect of a pay period, within the year, for which the employee is an eligible employee, in relation to a recognized business of the corporation; or

“(b) the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, other than an employee referred to in paragraph *a* or an excluded employee of the corporation, that were paid by the corporation in respect of a pay period, within the year,

throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in any of paragraphs *a* to *c* of the definition of “recognized business”;

(3) by replacing subparagraphs *i* and *ii* of paragraph *b* of the definition of “base amount” in the first paragraph by the following subparagraphs:

“*i.* the salary or wages paid by the corporation to an employee in the course of carrying on the particular recognized business, in respect of a pay period, within its base period, in relation to the particular recognized business, for which the employee is an eligible employee, or

“*ii.* the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec but outside an eligible site, other than an excluded employee of the corporation, that were paid by the corporation, in the course of carrying on any given business in respect of a pay period, within its base period, in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in any of paragraphs *a* to *c* of the definition of “recognized business”, except if an amount is included, in respect of the employee, in relation to the given business, in computing the base amount of the corporation in relation to another recognized business;”;

(4) by replacing the definition of “eligibility period” in the first paragraph by the following definition:

““eligibility period” of a corporation, in relation to a recognized business, means, subject to the second paragraph, the five-year period that begins on 1 January of the first calendar year, preceding the calendar year 2004, in respect of which the corporation obtains its qualification certificate, in relation to the recognized business;”;

(5) by striking out “, with reference to the second paragraph of that section,” wherever it appears in the portion of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph *ii*;

(6) by adding the following paragraph after paragraph *b* of the definition of “qualified corporation” in the first paragraph:

“(c) a corporation control of which is acquired at any time after 11 June 2003 by a person or group of persons, unless acquiring control of the corporation

i. occurs before 1 July 2004 where Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

ii. is by a corporation carrying on at that time a recognized business, or by a group of persons all the members of which are corporations carrying on at that time a recognized business, or

iii. derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003;”;

(7) by inserting “pay” before “period within a” wherever it appears in the third paragraph.

(2) Paragraphs 1, 2 and 7 of subsection 1 have effect from 1 January 2003. However, where the definition of “eligible employee” in the first paragraph of section 1029.8.36.0.3.60 of the said Act has effect before 1 April 2003, the reference therein to “Investissement Québec” shall be read as a reference to “the Minister of Finance”.

(3) Paragraphs 3 and 5 of subsection 1 have effect from 1 January 2001. However, where subparagraphs i and ii of paragraph *b* of the definition of “base amount” in the first paragraph of section 1029.8.36.0.3.60 of the said Act have effect before 1 January 2003, they shall be read with the reference to “pay” struck out.

(4) Paragraphs 4 and 6 of subsection 1 have effect from 12 June 2003.

331. (1) Section 1029.8.36.0.3.61 of the said Act is amended, in subparagraph *a* of the first paragraph,

(1) by replacing “period within the calendar year” in the portion of subparagraph i before subparagraph 1 by “pay period, within the calendar year;”;

(2) by replacing subparagraph 2 of subparagraph i by the following subparagraph:

“(2) in any other case, the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in respect of a pay period, within its base period, in relation to the recognized business, for which the employee is an eligible employee, and”.

(2) Paragraph 1 of subsection 1 has effect from 1 January 2003.

(3) Paragraph 2 of subsection 1 has effect from 1 January 2001. However, where subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.61 of the said Act has effect before 1 January 2003, it shall be read with the reference to “pay” struck out.

332. (1) Section 1029.8.36.0.3.62 of the said Act is amended, in subparagraph *a* of the first paragraph,

(1) by replacing “period within the calendar year” by “pay period, within the calendar year,” in the following provisions:

- the portion of subparagraph *i* before subparagraph 1;
- the portion of subparagraph *ii* before subparagraph 1;

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

“(2) in any other case, the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in respect of a pay period, within its base period, in relation to the recognized business, for which the employee is an eligible employee,”;

(3) by replacing subparagraph 2 of subparagraph *ii* by the following subparagraph:

“(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the qualified corporation’s base period, in relation to a recognized business it carries on in the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, except if an amount is included, in respect of the employee, in relation to the other corporation, in computing an amount determined for the calendar year under this subparagraph 2 in relation to another recognized business, and”.

(2) Paragraphs 1 and 3 of subsection 1 have effect from 1 January 2003.

(3) Paragraph 2 of subsection 1 has effect from 1 January 2001. However, where subparagraph 2 of subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 of the said Act has effect before 1 January 2003, it shall be read with the reference to “pay” struck out.

333. (1) Section 1029.8.36.0.3.63 of the said Act is amended

(1) by replacing “period within the calendar year” by “pay period, within the calendar year,” in the following provisions:

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

— the portion of paragraph *c* before subparagraph *i*;

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

“*ii.* in any other case, the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, within its base period, in relation to a recognized business, for which the employee is an eligible employee of the qualified corporation;”;

(3) by replacing subparagraph *ii* of paragraph *c* by the following subparagraph:

“*ii.* the aggregate of all amounts each of which is the salary or wages paid by another qualified corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid by the other corporation in respect of a pay period, within the base period of a qualified corporation that is a member of the group at the end of the calendar year, in relation to a recognized business it carries on in the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, except if an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a period within a base period in relation to another recognized business carried on by a qualified corporation that is a member of the group of associated corporations.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 1 January 2003.

(3) Paragraph 2 of subsection 1 has effect from 1 January 2001. However, where subparagraph *ii* of paragraph *a* of section 1029.8.36.0.3.63 of the said Act has effect before 1 January 2003, it shall be read with the reference to “pay” struck out.

334. Section 1029.8.36.0.3.64 of the said Act is replaced by the following section:

“1029.8.36.0.3.64. Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the

particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under any of paragraphs *a* to *c* of section 1029.8.36.0.3.63, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.0.3.62, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.”

335. (1) Section 1029.8.36.0.3.65 of the said Act is amended by replacing the second paragraph by the following paragraph:

“The aggregate of the amounts referred to in the first paragraph that reduced the amount of the salaries or wages that the qualified corporation or a corporation associated with it paid in respect of a pay period within the qualified corporation’s base period, in relation to a recognized business, shall not exceed, for each of those corporations, the aggregate of the amounts referred to in the first paragraph that reduced the amount of the salaries or wages paid by the qualified corporation or the corporation associated with it, in relation to the recognized business, in respect of a pay period within the calendar year ending in its particular taxation year.”

(2) Subsection 1 has effect from 1 January 2003.

336. (1) Section 1029.8.36.0.3.66 of the said Act is amended by inserting “, pursuant to a legal obligation,” after “qualified corporation” in the portion before paragraph *a*.

(2) Subsection 1 has effect from 1 January 2001.

337. (1) Section 1029.8.36.0.3.69 of the said 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 salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, for which the employee is an eligible employee, is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$A \times D \times E$, and

“*ii.* the base amount of the vendor, in relation to the particular recognized business, is deemed to be equal to the amount by which that amount otherwise determined, without reference to subparagraph *i*, exceeds the amount determined by the formula

$B \times D \times E$ ”;

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

“(b) if the vendor was not carrying on a recognized business before the particular time and the particular recognized business is a business of a corporation that is associated with the vendor at the end of the particular calendar year, the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.0.3.62 or in subparagraph ii of paragraph *c* of section 1029.8.36.0.3.63, as the case may be, determined in respect of the vendor, is deemed to be equal to the amount by which that amount, determined without reference to this subparagraph, exceeds the amount determined by the formula

$$C \times D \times E;”;$$

(3) by replacing “in respect of a period” by “in respect of a pay period” in the following provisions of the first paragraph:

- subparagraphs i and ii of subparagraph *c*;
- subparagraph i of subparagraph *d*;

(4) by replacing subparagraphs 1 and 2 of subparagraph iii of subparagraph *c* of the first paragraph by the following subparagraphs:

“(1) the purchaser’s base amount, otherwise determined without reference to subparagraph i, in relation to the particular recognized business, and

“(2) the amount that is the proportion of the aggregate, in subparagraph 2 of subparagraph iv referred to as the “particular aggregate”, of all amounts each of which is the salary or wages paid by the purchaser to an employee, after the particular time, in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the purchaser situated in Québec but outside a designated site, other than an excluded employee of the purchaser, that the purchaser paid, after the particular time, in respect of a pay period, within the particular calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in the course of the business in an establishment of the purchaser situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the purchaser that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, except if an amount is included,

in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 2, in relation to another recognized business, and”;

(5) by replacing subparagraph 1 of subparagraph iv of subparagraph *c* of the first paragraph by the following subparagraph:

“(1) the purchaser’s eligible amount for the particular calendar year otherwise determined without reference to subparagraph ii, in relation to the particular recognized business, and”;

(6) by replacing subparagraphs *a* to *d* of the second paragraph by the following subparagraphs:

“(a) A is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, for which the employee is an eligible employee;

“(b) B is the aggregate of all amounts each of which is

i. the salary or wages paid by the vendor to an employee in the course of carrying on the particular recognized business, in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, for which the employee is an eligible employee, or

ii. the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec but outside a designated site, other than an excluded employee of the vendor, that the vendor paid in the course of carrying on any business in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, except if an amount is included, in respect of the employee, in relation to the vendor, in computing the amount determined under this subparagraph *b*, in relation to another recognized business;

“(c) C is the aggregate of all amounts each of which is the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, other than an excluded employee of the vendor, that the vendor paid in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the vendor that

are described in any of paragraphs *a* to *c* of the definition of “recognized business” in the first paragraph of section 1029.8.36.0.3.60, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another recognized business;

“(d) D is the proportion that the number of the vendor’s employees referred to in any of subparagraphs *a* to *c*, as the case may be, who were assigned to the carrying on of part of the activities that diminished or ceased at the particular time is of the number of the vendor’s employees assigned to those activities immediately before the particular time; and”;

(7) by adding the following subparagraph after subparagraph *d* of the second paragraph:

“(e) E is, where this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year, the proportion that the number of days in the particular calendar year following the particular time is of 365, and, in any other case, 1.”

(2) Paragraphs 1, 2 and 4 to 7 of subsection 1 have effect from 1 January 2001. However, where the first and second paragraphs of section 1029.8.36.0.3.69 of the said Act apply before 1 January 2003, they shall be read with the reference to “pay”, wherever it appears, struck out.

(3) Paragraph 3 of subsection 1 has effect from 1 January 2003.

338. (1) Section 1029.8.36.0.17 of the said Act is amended by adding the following subparagraph after subparagraph iii of paragraph *b* of the definition of “specified corporation” in the first paragraph:

“iv. a corporation control of which is acquired at the beginning of the year or of a preceding taxation year, but after 11 June 2003, by a person or group of persons, unless acquiring control of the corporation

(1) occurs after 11 June 2003 and before 1 July 2004, where Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

(2) is by a specified corporation or by a group of persons all the members of which are specified corporations, or

(3) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003; and”.

(2) Subsection 1 has effect from 12 June 2003.

339. (1) The said Act is amended by inserting the following section after section 1029.8.36.0.25:

“1029.8.36.0.25.0.1. Notwithstanding section 1029.8.36.0.25, no amount may, in relation to qualified property, be deemed to have been paid to the Minister by a corporation for a taxation year, in respect of acquisition costs incurred by the corporation in that year in respect of the property, where at any time before the corporation’s filing-due date for that taxation year, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used by the corporation, mainly in a qualified centre and exclusively or almost exclusively to earn income from a business carried on by the corporation in that centre.

For the purposes of the first paragraph, where, at any time, a corporation disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have ceased to use, at that time, the property by reason of its obsolescence; in that respect, where the parties to the sale are not dealing with each other at arm’s length, the proceeds of disposition of the property are deemed to be equal to its fair market value.”

(2) Subsection 1 has effect from 12 May 2004.

340. (1) Section 1029.8.36.0.38 of the said Act is amended

(1) by inserting “or is deemed to have become effective, in accordance with the third paragraph,” after “became effective” in subparagraphs i and iii of paragraph *b* of the definition of “qualified wages” in the first paragraph and by replacing “has become effective” in subparagraph ii of that paragraph *b* by “became effective or is deemed to have become effective, in accordance with the third paragraph,”;

(2) by adding the following paragraph after paragraph *c* of the definition of “excluded corporation” in the first paragraph:

“(d) a corporation control of which is acquired at any time in the year or a preceding taxation year and after 11 June 2003 by a person or group of persons, unless acquiring control of the corporation

i. occurs before 1 July 2004 where the Minister of Finance certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

ii. is by a corporation carrying on at that time a recognized business, or by a group of persons all the members of which are corporations carrying on at that time a recognized business, or

iii. derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003;”;

(3) by adding the following paragraph after the second paragraph:

“For the purposes of the first paragraph, where a corporation or partnership, in this paragraph referred to as the “transferee entity”, carries on at a particular time in a taxation year or fiscal period a business in respect of which the Minister of Finance issued a qualification certificate and the business, according to the Minister of Finance, is the continuation of a recognized business or part of a recognized business carried on before that time by a corporation or partnership, in this paragraph referred to as the “transferor entity”, the effective date of the qualification certificate issued to the transferee entity, in relation to the recognized business, is deemed to be the same as the effective date of the qualification certificate issued to the transferor entity, in relation to the recognized business or that part of the recognized business.”

(2) Paragraphs 1 and 3 of subsection 1 apply in respect of transfers of the activities of a recognized business that occur after 19 December 2002.

(3) Paragraph 2 of subsection 1 has effect from 12 June 2003.

341. (1) Section 1029.8.36.0.53 of the said Act is amended

(1) by striking out “, except if it has been increased for a preceding taxation year in respect of the amount of the benefit or advantage,” in paragraph *a*;

(2) by striking out “, except if it has been increased for a preceding fiscal period in respect of the amount of the benefit or advantage,” in the portion of paragraph *b* before subparagraph *i*.

(2) Subsection 1 applies from the taxation year 1999.

342. (1) Section 1029.8.36.0.55 of the said Act is amended

(1) by inserting “or is deemed to have become effective, in accordance with the third paragraph,” after “became effective” in the portion of subparagraphs *i* to *iii* of paragraph *b* of the definition of “qualified brokerage expenditure” in the first paragraph before subparagraph 1;

(2) by adding the following paragraph after the second paragraph:

“For the purposes of the first paragraph, where, at a particular time in a taxation year or fiscal period, a corporation or partnership, in this paragraph referred to as the “transferee entity”, carries on a business in respect of which the Minister of Finance issued a qualification certificate, and the business, according to the Minister of Finance, is the continuation of a recognized business or part of a recognized business carried on before that time by a

corporation or partnership, in this paragraph referred to as the “transferor entity”, the effective date of the qualification certificate issued to the transferee entity, in relation to that recognized business, is deemed to be the same as the effective date of the qualification certificate issued to the transferor entity, in relation to the recognized business or part of recognized business.”

(2) Subsection 1 applies in respect of transfers of the activities of a recognized business that occur after 19 December 2002.

343. (1) Section 1029.8.36.0.70 of the said Act is amended

(1) by striking out “, except if it has been increased for a preceding taxation year in respect of the amount of the benefit or advantage,” in paragraph *a*;

(2) by striking out “, except if it has been increased for a preceding fiscal period in respect of the amount of the benefit or advantage,” in the portion of paragraph *b* before subparagraph *i*.

(2) Subsection 1 applies from the taxation year 1999.

344. (1) Section 1029.8.36.0.72 of the said Act is amended

(1) by inserting “or is deemed to have become effective, in accordance with the third paragraph,” after “became effective” in the following provisions of the definition of “qualified property” in the first paragraph:

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

— the portion of paragraph *b* before subparagraph *i*;

— the portion of paragraph *c* before subparagraph *i*;

— the portion of paragraph *d* before subparagraph *i*;

(2) by adding the following paragraph after the second paragraph:

“For the purposes of the first paragraph, where a corporation or partnership, in this paragraph referred to as the “transferee entity”, carries on at a particular time in a taxation year or fiscal period a business in respect of which the Minister of Finance issued a qualification certificate and the business, according to the Minister of Finance, is the continuation of a recognized business or part of a recognized business carried on before that time by a corporation or partnership, in this paragraph referred to as the “transferor entity”, the effective date of the qualification certificate issued to the transferee entity, in relation to the recognized business, is deemed to be the same as the effective date of the qualification certificate issued to the transferor entity, in relation to the recognized business or that part of the recognized business.”

(2) Subsection 1 applies in respect of transfers of the activities of a recognized business that occur after 19 December 2002.

345. (1) The said Act is amended by inserting the following sections after section 1029.8.36.0.74.1:

“1029.8.36.0.74.2. Notwithstanding section 1029.8.36.0.73, no amount may, in relation to qualified property, be deemed to have been paid to the Minister by a corporation for a taxation year, in respect of acquisition costs incurred by the corporation in that year in respect of the property, where at any time before the corporation’s filing-due date for that taxation year, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used by the corporation exclusively in the international trade zone and, exclusively or almost exclusively, to earn income from activities shown on the certificate issued to the corporation in respect of the recognized business and carried on in that zone by the corporation.

For the purposes of the first paragraph, where, at any time, a corporation disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have ceased to use, at that time, the property by reason of its obsolescence; in that respect, where the parties to the sale are not dealing with each other at arm’s length, the proceeds of disposition of the property are deemed to be equal to its fair market value.

“1029.8.36.0.74.3. Notwithstanding section 1029.8.36.0.74, no amount may, in relation to qualified property, be deemed to have been paid to the Minister by a corporation for a taxation year, in respect of acquisition costs that the partnership of which the corporation is a member incurred in respect of the property in its fiscal period that ends in the year, where at any time on or before the corporation’s filing-due date for that taxation year, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used by the partnership exclusively in the international trade zone and, exclusively or almost exclusively, to earn income from activities shown on the certificate issued to the partnership in respect of the recognized business and carried on in that zone by the partnership.

For the purposes of the first paragraph, where, at any time, a partnership disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the partnership is deemed not to have ceased to use, at that time, the property by reason of its obsolescence.”

(2) Subsection 1 applies in respect of qualified property acquired under a contract entered into after 19 December 2002.

346. (1) Section 1029.8.36.0.82 of the said Act is amended, in the first paragraph,

(1) by striking out “, except if they have been reduced for a preceding taxation year in respect of the amount of the benefit or advantage,” in subparagraph *a*;

(2) by striking out “, except if it has been reduced for a preceding fiscal period in respect of the amount of the benefit or advantage,” in the portion of subparagraph *b* before subparagraph *i*.

(2) Subsection 1 applies from the taxation year 1999.

347. (1) Section 1029.8.36.0.84 of the said Act is amended, in the first paragraph,

(1) by replacing paragraph *a* of the definition of “eligible expenses” by the following paragraph:

“(a) where the certificate referred to in the definition of “strategic building” became effective before 1 January 2001, the aggregate of all expenses

i. that were incurred after 29 June 2000 and before the completion date of the work by the corporation in the year and that may reasonably be attributed to work carried out by or on behalf of the corporation, for the construction, renovation or alteration of the building after 29 June 2000 and before the earlier of

(1) the completion date of the work, and

(2) 13 June 2004, and

ii. that are included, at the end of that year, in the capital cost of the building;”;

(2) by replacing subparagraph 2 of subparagraph *i* of paragraph *b* of the definition of “eligible expenses” by the following subparagraph:

“(2) 13 June 2004, and;”;

(3) by striking out paragraph *c* of the definition of “eligible expenses”;

(4) by replacing “14” in the definition of “filing period” by “9”.

(2) Subsection 1 has effect from 12 June 2003.

348. Section 1029.8.36.4 of the said Act is amended by replacing subparagraph *b* of the third paragraph by the following subparagraph:

“(b) where the particular designer is an employee of the corporation only for part of the taxation year of the corporation, by the amount obtained by multiplying \$60,000 or the amount resulting from the application of

subparagraph *a* for that year, as the case may be, by the proportion that the number of days during which the particular designer is an employee of the corporation in the taxation year is of the number of days in the taxation year.”

349. (1) Section 1029.8.36.5 of the said Act, amended by section 135 of chapter 29 of the statutes of 2003, is again amended by replacing “20%” in the portion before subparagraph *a* of the first paragraph by “15%”.

(2) Subsection 1 applies in respect of design activities carried out after 12 June 2003 under outside consulting contracts entered into after that date.

350. (1) Section 1029.8.36.6 of the said Act, amended by section 135 of chapter 29 of the statutes of 2003, is again amended by replacing “20%” in the portion before subparagraph *a* of the first paragraph by “15%”.

(2) Subsection 1 applies in respect of design activities carried out after 12 June 2003 under outside consulting contracts entered into after that date.

351. (1) Section 1029.8.36.7 of the said Act, amended by section 135 of chapter 29 of the statutes of 2003, is again amended by replacing “20%” in the portion before subparagraph *a* of the first paragraph by “15%”.

(2) Subsection 1 applies in respect of the portion of the qualified wages of a designer incurred after 12 June 2003.

(3) For the purposes of subsection 2, where the amount of the qualified wages of a designer that a corporation incurs during a particular period of a taxation year is limited, because of the definition of “qualified wages” in the first paragraph of section 1029.8.36.4 of the said Act, to \$60,000 or to a lesser amount because of the third paragraph of that section, and the particular period is included in a taxation year that ends after 12 June 2003 and includes that date, the portion of the qualified wages of the designer that is incurred after 12 June 2003 is deemed to be equal to the amount by which the amount of the qualified wages exceeds the portion of the expenditures incurred as wages, in respect of the designer, by the corporation in that particular period and before 13 June 2003 that may reasonably be considered to relate to a design activity and that exceeds the amount of any contract payment, government assistance and non-government assistance attributable to such wages, 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 that taxation year.

352. (1) Section 1029.8.36.10 of the said Act is amended, in the first paragraph,

(1) by replacing “20%” in the portion before the formula by “15%”;

(2) by replacing the formula by the following formula:

“30% – $\{[(A - \$25,000,000) \times 15\%] / \$25,000,000\}$.”

(2) Subsection 1 applies in respect of

(1) design activities carried out after 12 June 2003 under outside consulting contracts entered into after that date, where the first paragraph of section 1029.8.36.10 of the said Act applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister of Revenue under section 1029.8.36.5 or 1029.8.36.6 of the said Act; and

(2) the portion of the qualified wages of a designer incurred after 12 June 2003, where the first paragraph of section 1029.8.36.10 of the said Act applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister of Revenue under section 1029.8.36.7 of the said Act.

(3) For the purposes of paragraph 2 of subsection 2, where the amount of the qualified wages of a designer that a corporation incurs during a particular period of a taxation year is limited, because of the definition of “qualified wages” in the first paragraph of section 1029.8.36.4 of the said Act, to \$60,000 or to a lesser amount because of the third paragraph of that section, and the particular period is included in a taxation year that ends after 12 June 2003 and includes that date, the portion of the qualified wages of the designer that is incurred after 12 June 2003 is deemed to be equal to the amount by which the amount of the qualified wages exceeds the portion of the expenditures incurred as wages, in respect of the designer, by the corporation in that particular period and before 13 June 2003 that may reasonably be considered to relate to a design activity and that exceeds the amount of any contract payment, government assistance and non-government assistance attributable to such wages, 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 that taxation year.

353. (1) Section 1029.8.36.54 of the said Act, amended by section 135 of chapter 29 of the statutes of 2003, is again amended in the definition of “factor specified” in the first paragraph

(1) by inserting “and before 13 June 2003” after “17 November 2000” in the portion of paragraph *b* before subparagraph *i*;

(2) by inserting the following paragraph after paragraph *b*:

“(b.1) in relation to the portion of a qualified construction expenditure or a qualified conversion expenditure of a qualified corporation for a taxation year, that may reasonably be attributed to work carried out after 12 June 2003, any of the following factors:

i. where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the eligible vessel is a prototype vessel, 8/3,

ii. where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the eligible vessel is the first vessel constructed or converted as part of a production run, 80/27,

iii. where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the eligible vessel is the second vessel constructed or converted as part of a production run, 10/3, and

iv. where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the eligible vessel is the third vessel constructed or converted as part of a production run, 80/21;”.

(2) Subsection 1 applies

(1) in relation to a vessel in respect of which the construction work or conversion work is carried out in whole or in part by or on behalf of a qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the corporation is not dealing at arm’s length at the time the contract is entered into, in respect of a construction expenditure or conversion expenditure attributable to the vessel that is incurred after 12 June 2003; and

(2) in relation to a vessel in respect of which the construction work or conversion work is carried out in whole or in part on behalf of a qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the corporation is dealing at arm’s length at the time the contract is entered into, in respect of consideration paid by the corporation that may reasonably be attributed to construction work or conversion work provided for in the contract and carried out by the person or partnership after 12 June 2003.

(3) However,

(1) paragraph 1 of subsection 2 does not apply where another construction expenditure or conversion expenditure attributable to the vessel was incurred before 13 June 2003; and

(2) paragraph 2 of subsection 2 does not apply where other construction work or conversion work of the vessel was carried out, before 13 June 2003, on behalf of the qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the corporation was dealing at arm’s length at the time the contract was entered into.

(4) Notwithstanding subsection 2, where the qualification certificate referred to in paragraph *b.1* of the definition of “factor specified” in the first paragraph of section 1029.8.36.54 of the said Act is issued

(1) after 28 April 2003 and before 23 March 2004, subparagraphs i to iv of that paragraph *b.1* shall be read with the reference to “Minister of Economic and Regional Development and Research” replaced by a reference to “Minister of Economic and Regional Development”;

(2) before 29 April 2003, subparagraphs i to iv of that paragraph *b.1* shall be read with the reference to “Minister of Economic and Regional Development and Research” replaced by a reference to “Minister of Industry and Trade”.

(5) In addition, where the qualification certificate referred to in the following provisions of the first paragraph of section 1029.8.36.54 of the said Act is issued after 28 April 2003 and before 23 March 2004, those provisions shall be read with the reference to “Minister of Economic and Regional Development and Research”, wherever it appears, replaced by a reference to “Minister of Economic and Regional Development”:

- the definition of “eligible contract”;
- the portion of paragraph *b* of the definition of “qualified construction expenditure” before subparagraph i;
- subparagraphs i to iv of paragraphs *a* and *b* of the definition of “factor specified”;
- the definition of “eligible vessel”.

354. (1) Section 1029.8.36.55 of the said Act, amended by section 135 of chapter 29 of the statutes of 2003, is again amended, in the first paragraph,

(1) by inserting “and before 13 June 2003” after “25 March 1997” in subparagraph 2 of subparagraph i of subparagraph *a*;

(2) by adding the following subparagraph after subparagraph 2 of subparagraph i of subparagraph *a*:

“(3) 37.5% of the portion of the qualified construction expenditure for the year in respect of the eligible vessel that may reasonably be attributed to work carried out after 12 June 2003.”;

(3) by inserting “and before 13 June 2003,” after “17 November 2000” in the portion of subparagraph iii of subparagraph *a* before subparagraph 1;

(4) by adding the following subparagraph after subparagraph iii of subparagraph *a*:

“iv. where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is the first, second or third vessel constructed as part of a production run, to an amount that is the product obtained by multiplying the portion of the qualified

construction expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out after 12 June 2003, by,

(1) where the eligible vessel is the first vessel constructed as part of a production run, 33.75%,

(2) where the eligible vessel is the second vessel constructed as part of a production run, 30%, and

(3) where the eligible vessel is the third vessel constructed as part of a production run, 26.25%; and”;

(5) by inserting “and before 13 June 2003” after “17 November 2000” in the portion of subparagraph ii of subparagraph *b* before subparagraph 1;

(6) by adding the following subparagraph after subparagraph ii of subparagraph *b*:

“iii. the product obtained by multiplying the portion of the cost of construction of the eligible vessel to the qualified corporation incurred at the end of the year that may reasonably be attributed to work carried out after 12 June 2003, by,

(1) where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is a prototype vessel, 18.75%,

(2) where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is the first vessel constructed as part of a production run, 16.875%,

(3) where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is the second vessel constructed as part of a production run, 15%, and

(4) where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is the third vessel constructed as part of a production run, 13.125%.”

(2) Subsection 1 applies

(1) in relation to a vessel in respect of which the construction work is carried out in whole or in part by or on behalf of a qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the corporation is not dealing at arm’s length at the time the contract is entered into, in respect of a construction expenditure attributable to the vessel that is incurred after 12 June 2003; and

(2) in relation to a vessel in respect of which the construction work is carried out in whole or in part on behalf of a qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the corporation is dealing at arm's length at the time the contract is entered into, in respect of consideration paid by the corporation that may reasonably be attributed to construction work provided for in the contract and carried out by the person or partnership after 12 June 2003.

(3) However,

(1) paragraph 1 of subsection 2 does not apply where another construction expenditure attributable to the vessel was incurred before 13 June 2003; and

(2) paragraph 2 of subsection 2 does not apply where other construction work of the vessel was carried out, before 13 June 2003, on behalf of the qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the corporation was dealing at arm's length at the time the contract was entered into.

(4) Notwithstanding subsection 2, where the qualification certificate referred to in subparagraph iv of subparagraph *a* of the first paragraph of section 1029.8.36.55 of the said Act and in subparagraph iii of subparagraph *b* of that first paragraph is issued

(1) after 28 April 2003 and before 23 March 2004, the portion of that subparagraph iv before subparagraph 1 and subparagraphs 1 to 4 of that subparagraph iii shall be read with the reference to "Minister of Economic and Regional Development and Research" replaced by a reference to "Minister of Economic and Regional Development";

(2) before 29 April 2003, the portion of that subparagraph iv before subparagraph 1 and subparagraphs 1 to 4 of that subparagraph iii shall be read with the reference to "Minister of Economic and Regional Development and Research" replaced by a reference to "Minister of Industry and Trade".

(5) In addition, where the qualification certificate referred to in the following provisions of the first paragraph of section 1029.8.36.55 of the said Act is issued after 28 April 2003 and before 23 March 2004, those provisions shall be read with the reference to "Minister of Economic and Regional Development and Research" replaced by a reference to "Minister of Economic and Regional Development":

- the portion before subparagraph *a*;
- the portion of each of subparagraphs i to iii of subparagraph *a* before subparagraph 1;
- subparagraphs 1 to 4 of subparagraphs i and ii of subparagraph *b*.

355. (1) Section 1029.8.36.55.1 of the said Act, amended by section 135 of chapter 29 of the statutes of 2003, is again amended, in the first paragraph,

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

“i. where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is a prototype vessel, to the aggregate of

(1) 50% of the portion of the qualified conversion expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out before 13 June 2003, and

(2) 37.5% of the portion of the qualified construction expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out after 12 June 2003;”;

(2) by inserting “and before 13 June 2003” after “17 November 2000” in the portion of subparagraph iii of subparagraph *a* before subparagraph 1;

(3) by adding the following subparagraph after subparagraph iii of subparagraph *a*:

“iv. where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is the first, second or third vessel converted as part of a production run, to the amount that is the product obtained by multiplying the portion of the qualified conversion expenditure for the year of the qualified corporation in respect of the eligible vessel that may reasonably be attributed to work carried out after 12 June 2003, by

(1) where the eligible vessel is the first vessel converted as part of a production run, 33.75%,

(2) where the eligible vessel is the second vessel converted as part of a production run, 30%, and

(3) where the eligible vessel is the third vessel converted as part of a production run, 26.25%; and”;

(4) by inserting “and before 13 June 2003” after “17 November 2000” in the portion of subparagraph ii of subparagraph *b* before subparagraph 1;

(5) by adding the following subparagraph after subparagraph ii of subparagraph *b*:

“iii. the product obtained by multiplying the portion of the cost of conversion of the eligible vessel to the qualified corporation incurred at the end of the year that may reasonably be attributed to work carried out after 12 June 2003, by

(1) where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is a prototype vessel, 18.75%,

(2) where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is the first vessel converted as part of a production run, 16.875%,

(3) where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is the second vessel converted as part of a production run, 15%, and

(4) where the qualification certificate issued by the Minister of Economic and Regional Development and Research attests that the vessel is the third vessel converted as part of a production run, 13.125%.”

(2) Subsection 1 applies

(1) in relation to a vessel in respect of which the conversion work is carried out in whole or in part by or on behalf of a qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the corporation is not dealing at arm’s length at the time the contract is entered into, in respect of a conversion expenditure attributable to the vessel that is incurred after 12 June 2003; and

(2) in relation to a vessel in respect of which the conversion work is carried out in whole or in part on behalf of a qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the corporation is dealing at arm’s length at the time the contract is entered into, in respect of consideration paid by the corporation that may reasonably be attributed to conversion work provided for in the contract and carried out by the person or partnership after 12 June 2003.

(3) However,

(1) paragraph 1 of subsection 2 does not apply where another construction expenditure or conversion expenditure attributable to the vessel was incurred before 13 June 2003; and

(2) paragraph 2 of subsection 2 does not apply where other construction work or conversion work of the vessel was carried out, before 13 June 2003, on behalf of the qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the corporation was dealing at arm’s length at the time the contract was entered into.

(4) Notwithstanding subsection 2, where the qualification certificate referred to in subparagraph i or iv of subparagraph *a* of the first paragraph of section 1029.8.36.55.1 of the said Act and in subparagraph iii of subparagraph *b* of that first paragraph is issued

(1) after 28 April 2003 and before 23 March 2004, the portion of that subparagraph i before subparagraph 1, the portion of that subparagraph iv before subparagraph 1 and subparagraphs 1 to 4 of that subparagraph iii shall be read with the reference to “Minister of Economic and Regional Development and Research” replaced by a reference to “Minister of Economic and Regional Development”;

(2) before 29 April 2003, the portion of that subparagraph i before subparagraph 1, the portion of that subparagraph iv before subparagraph 1 and subparagraphs 1 to 4 of that subparagraph iii shall be read with the reference to “Minister of Economic and Regional Development and Research” replaced by a reference to “Minister of Industry and Trade”.

(5) In addition, where the qualification certificate referred to in the following provisions of the first paragraph of section 1029.8.36.55.1 of the said Act is issued after 28 April 2003 and before 23 March 2004, those provisions shall be read with the reference to “Minister of Economic and Regional Development and Research” replaced by a reference to “Minister of Economic and Regional Development”:

— the portion before subparagraph *a*;

— the portion of each of subparagraphs ii and iii of subparagraph *a* before subparagraph 1;

— subparagraphs 1 to 4 of subparagraphs i and ii of subparagraph *b*.

356. (1) Section 1029.8.36.59.2 of the said Act is amended by replacing “75%” in the first paragraph by “56.25%”.

(2) Subsection 1 applies in respect of the property taxes of a taxpayer for taxation years that end after 12 June 2003. However, where the percentage of 56.25% provided for in the first paragraph of section 1029.8.36.59.2 of the said Act is to be applied to the property taxes of the taxpayer, in relation to a railway undertaking, for the taxation year that includes 12 June 2003, the percentage of 56.25% shall be replaced by the total of

(1) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that precede 13 June 2003 during which the taxpayer carries on the railway undertaking is of the number of days in the taxation year during which the taxpayer carries on the railway undertaking; and

(2) the percentage obtained by multiplying 56.25% by the proportion that the number of days in the taxation year that follow 12 June 2003 during which the taxpayer carries on the railway undertaking is of the number of days in the taxation year during which the taxpayer carries on the railway undertaking.

357. (1) Section 1029.8.36.59.3 of the said Act is amended by replacing “75%” in the first paragraph by “56.25%”.

(2) Subsection 1 applies in respect of the property taxes of a partnership for fiscal periods that end after 12 June 2003. However, where the percentage of 56.25% provided for in the first paragraph of section 1029.8.36.59.3 of the said Act is to be applied to the property taxes of the partnership, in relation to a railway undertaking, for a fiscal period that includes 12 June 2003, the percentage of 56.25% shall be replaced by the total of

(1) the percentage obtained by multiplying 75% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership carries on the railway undertaking is of the number of days in the fiscal period during which the partnership carries on the railway undertaking; and

(2) the percentage obtained by multiplying 56.25% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership carries on the railway undertaking is of the number of days in the fiscal period during which the partnership carries on the railway undertaking.

358. (1) Section 1029.8.36.72.1 of the said Act, amended by section 135 of chapter 29 of the statutes of 2003, is again amended

(1) by inserting “pay” before “period within a” in the definition of “eligible employee” in the first paragraph;

(2) by replacing the definition of “eligible amount” in the first paragraph by the following definition:

““eligible amount” of a corporation for a calendar year means the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in a pay period, within the year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, that were paid by the corporation in a pay period, within the year, for which the employee would be an eligible employee of the corporation if the establishment where the employee so reported for work were situated in the Québec area;”;

(3) by replacing “the salaries or wages paid” and “in respect of the salaries or wages” in the portion of paragraphs *a* and *b* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph *i* by “the salary or wages paid” and “in respect of the salary or wages”, respectively;

(4) by replacing the portion of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph ii by the following:

“(c) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of paragraph *b* of section 1029.8.36.72.7 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.4 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.4 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.4 had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the qualified corporation in relation to the preceding calendar year, and”;

(5) by adding the following paragraph after paragraph *b* of the definition of “qualified corporation” in the first paragraph:

“(c) a corporation control of which is acquired at any time after 11 June 2003 by a person or group of persons, unless acquiring control of the corporation

i. occurs before 1 July 2004 where the Minister of Economic and Regional Development and Research certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

ii. is by a corporation carrying on at that time a recognized business, or by a group of persons all the members of which are corporations carrying on at that time a recognized business, or

iii. derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003;”;

(6) by inserting “pay” before “period within a” wherever it appears in the second and third paragraphs.

(2) Paragraphs 1 to 4 and 6 of subsection 1 have effect from 1 January 2003.

(3) Paragraph 5 of subsection 1 has effect from 12 June 2003. However, where subparagraph *i* of paragraph *c* of the definition of “qualified corporation” in the first paragraph of section 1029.8.36.72.1 of the said Act applies before 23 March 2004, the reference therein to “Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Economic and Regional Development”.

(4) In addition, where the qualification certificate referred to in the definition of “recognized business” in the first paragraph of section 1029.8.36.72.1 of the said Act is issued after 28 April 2003 and before 23 March 2004, the portion of that definition before paragraph *a* shall be read with the reference to “Minister of Economic and Regional Development and Research” replaced by a reference to “Minister of Economic and Regional Development”.

359. (1) Section 1029.8.36.72.2 of the said Act is amended, in the first paragraph,

(1) by replacing “2004” in the portion before subparagraph *a* by “2007”;

(2) by replacing subparagraph *i* of subparagraph *a* by the following subparagraph:

“i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in a pay period, within the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in a pay period, within the qualified corporation’s base period in relation to the calendar year, for which the employee is an eligible employee or, where the calendar year, except in the case of a corporation that results from an amalgamation or a corporation to which section 1029.8.36.72.11 applies in relation to the calendar year, ends in the first taxation year of the corporation, an amount equal to zero, and”.

(2) Subsection 1 has effect from 1 January 2003.

360. (1) Section 1029.8.36.72.3 of the said Act is amended, in the first paragraph,

(1) by replacing “2004” in the portion before subparagraph *a* by “2007”;

(2) by replacing subparagraph *i* of subparagraph *a* by the following subparagraph:

“i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in a pay period, within the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salary or wages paid

by the qualified corporation to an employee in a pay period, within the qualified corporation's base period in relation to the calendar year, for which the employee is an eligible employee or, where the calendar year, except in the case of a corporation that results from an amalgamation or a corporation to which section 1029.8.36.72.11 applies in relation to the calendar year, ends in the first taxation year of the corporation, an amount equal to zero, and”.

(2) Subsection 1 has effect from 1 January 2003.

361. (1) Section 1029.8.36.72.4 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) the amount by which the aggregate of all amounts each of which is the salary or wages paid by one such corporation to an employee in a pay period, within the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in a pay period, within the corporation's base period in relation to that calendar year, for which the employee is an eligible employee or, where the calendar year, except in the case of a corporation that results from an amalgamation or a corporation to which section 1029.8.36.72.11 applies in relation to the calendar year, ends in the first taxation year of the corporation, an amount equal to zero; and”.

(2) Subsection 1 has effect from 1 January 2003.

362. (1) Section 1029.8.36.72.5 of the said Act is repealed.

(2) Subsection 1 has effect from 1 January 1999.

363. Section 1029.8.36.72.6 of the said Act is replaced by the following section:

“**1029.8.36.72.6.** Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under paragraph *a* or *b* of section 1029.8.36.72.4, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.3, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.”

364. (1) Section 1029.8.36.72.8 of the said Act is amended by inserting “, pursuant to a legal obligation,” after “qualified corporation” in the portion before paragraph *a*.

(2) Subsection 1 has effect from 1 January 1999.

365. (1) Section 1029.8.36.72.9 of the said Act is amended by replacing the portion of paragraph *b* before subparagraph *i* by the following:

“(b) for the purpose of determining the amount that the new corporation is deemed to have paid to the Minister under this division for the taxation year in which the calendar year ends, the new corporation is deemed to have paid, in the preceding period, the aggregate of all amounts each of which is the salary or wages paid by a predecessor corporation to an employee in a pay period within the preceding period for which the employee”.

(2) Subsection 1 has effect from 1 January 2003.

366. (1) Section 1029.8.36.72.10 of the said Act is amended by replacing the portion of paragraph *b* before subparagraph *i* by the following:

“(b) for the purpose of determining the amount that the parent corporation is deemed to have paid to the Minister under this division for the taxation year in which the calendar year ends, the parent corporation is deemed to have paid, in the preceding period, the aggregate of all amounts each of which is the salary or wages paid by the subsidiary to an employee in a pay period within the preceding period for which the employee”.

(2) Subsection 1 has effect from 1 January 2003.

367. (1) Section 1029.8.36.72.11 of the said Act is amended

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

“(a) the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period, within its base period in relation to the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec that were paid by the vendor in a pay period, within its base period in relation to the particular calendar year, for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Québec area, is deemed to be equal to the amount by which the aggregate otherwise determined exceeds the amount determined by the formula”;

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

“(b) the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period of the particular calendar year preceding the particular time for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec that were paid by the vendor in a pay period of the particular calendar year preceding the particular time for which the

employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Québec area, is deemed, for the purpose of determining the amount that the vendor is deemed to have paid to the Minister under this division for the taxation year in which the calendar year following the particular calendar year ends, to be equal to the amount by which the aggregate otherwise determined exceeds the amount determined by the formula”;

(3) by replacing subparagraph i of subparagraph c of the first paragraph by the following subparagraph:

“i. to have an eligible amount for the particular calendar year equal to the aggregate of its eligible amount for the year otherwise determined and the amount that is that proportion of the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period, within the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec that were paid by the vendor in a pay period, within the particular calendar year, for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Québec area, to the extent that the employee may reasonably be considered to have been assigned to the carrying on of the part of the activities that diminished or ceased at the particular time, that the number of days in the particular calendar year that precede the particular time is of the number of days in the particular calendar year that precede the particular time and during which the vendor carried on those activities, and”;

(4) by replacing subparagraphs 2 and 3 of subparagraph ii of subparagraph c of the first paragraph by the following subparagraphs:

“(2) the amount that is that proportion of the salary or wages paid by the vendor to an employee in a pay period, within the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec that were paid by the vendor in a pay period, within the particular calendar year, for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Québec area, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that diminished or ceased at the particular time, that the number of days in the particular calendar year that precede the particular time is of the number of days in the particular calendar year that precede the particular time and during which the vendor carried on those activities, and

“(3) the aggregate of all amounts each of which is the salary or wages paid by the purchaser to an employee in a pay period of the particular calendar year and after the particular time, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the purchaser situated in Québec that were paid by the purchaser in a pay

period of the particular calendar year and after the particular time, for which the employee would be an eligible employee of the purchaser if the establishment where the employee so reported for work were situated in the Québec area, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time.”;

(5) by replacing subparagraph *a* of the second paragraph by the following subparagraph:

“(a) A is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period, within its base period for the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec that were paid by the vendor in a pay period within its base period in relation to the particular calendar year for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Québec area;”;

(6) by replacing subparagraph *d* of the second paragraph by the following subparagraph:

“(d) D is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period of the particular calendar year preceding the particular time for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec that were paid by the vendor in a pay period of the particular calendar year preceding the particular time for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Québec area.”

(2) Subsection 1 has effect from 1 January 2003.

368. (1) Section 1029.8.36.72.15 of the said Act is amended

(1) by replacing the portion of the definition of “eligible employee” in the first paragraph before paragraph *a* by the following:

““eligible employee” of a corporation for a period within a calendar year, in relation to a recognized business of the corporation, means an employee who, during that period, reports for work at an establishment of the corporation situated in the Saguenay–Lac-Saint-Jean area and who, throughout that period, spends, when at work, at least 75% of the time undertaking, supervising or supporting, in the course of the carrying on by the corporation of the recognized business or another recognized business of the corporation in the year, work that is related to activities described in the qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of such a recognized business and that consists in”;

(2) by replacing subparagraphs i and ii of paragraph *b* of the definition of “base amount” in the first paragraph by the following subparagraphs:

“i. the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, that were paid by the corporation in the course of carrying on the particular recognized business, in respect of a period within its base period, in relation to the particular recognized business for which the employee was an eligible employee of the corporation or would have been an eligible employee of the corporation if the establishment where the employee so reported had been situated in the Saguenay–Lac-Saint-Jean area, or

“ii. the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, that were paid by the corporation in the course of carrying on any given business that is not a recognized business, in respect of a period within its base period, in relation to the particular recognized business for which the employee would have been an eligible employee of the corporation if the given business had been a recognized business of the corporation and if, in the event that the establishment of the corporation where the employee so reported for work was not situated in the Saguenay–Lac-Saint-Jean area, the establishment where the employee so reported had been situated in the Saguenay–Lac-Saint-Jean area, unless an amount is included, in respect of the employee, in relation to the given business, in computing the base amount of the corporation in relation to another recognized business;”;

(3) by replacing the definition of “eligibility period” in the first paragraph by the following definition:

““eligibility period” of a corporation, in relation to a recognized business, means, subject to the second paragraph, the period that begins on 1 January of the first calendar year in respect of which the corporation obtains its qualification certificate in relation to the recognized business and that ends on 31 December 2002;”;

(4) by striking out “, with reference to the second paragraph of that section,” wherever it appears in the portion of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph ii;

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

“For the purposes of the definition of “recognized business” in the first paragraph,

(a) manufacturing activities carried on outside the Saguenay–Lac-Saint-Jean area do not constitute activities of a recognized business;

(b) the installation by a corporation of a product or specialized equipment described in the definition of “recognized business” constitutes an activity of a recognized business where the product or specialized equipment is the result

of the manufacturing activity carried on by the corporation or a corporation with which it is associated; and

(c) a corporation is deemed to carry on in a taxation year a business described in paragraph *a* or *b* of that definition, where

i. in the year, the corporation causes to be carried on on its behalf activities relating to the manufacturing of finished or semi-finished products made from aluminum having already undergone primary processing, or activities relating to the manufacturing of specialized equipment for businesses producing or processing aluminum, in this subparagraph referred to as “particular activities”, and

ii. in the year, the corporation carries on design work and engineering work in relation to the particular activities.”;

(6) by replacing the sixth paragraph by the following paragraph:

“Investissement Québec may, at the request of a corporation, cancel, in the circumstances and on the conditions it determines, a qualification certificate issued to the corporation, in relation to a recognized business. The certificate so cancelled is not a revoked certificate for the purposes of Part III.10.1.3.”

(2) Paragraph 1 of subsection 1 has effect from 1 January 2001.

(3) Paragraph 2 of subsection 1 has effect from 1 January 2000.

(4) Paragraphs 3 to 5 of subsection 1 have effect from 1 January 2002.

(5) Paragraph 6 of subsection 1 applies in respect of requests for the cancellation of qualification certificates relating to the calendar year 2002.

369. (1) Section 1029.8.36.72.16 of the said Act is amended by striking out “or 2003” in the portion of the second paragraph before subparagraph *a*.

(2) Subsection 1 has effect from 1 January 2003.

370. (1) Section 1029.8.36.72.17 of the said Act is amended

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

“ii. the amount by which the aggregate of all amounts each of which is the qualified corporation’s eligible amount for the calendar year or the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a period within the calendar year for which the employee would have been an eligible employee of the qualified corporation if the employee had been an

employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in the Saguenay–Lac-Saint-Jean area, the establishment where the employee reported for work had been situated in the Saguenay–Lac-Saint-Jean area, exceeds the total of”;

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

“(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a period within the qualified corporation’s base period in relation to a recognized business it carries on in the calendar year, for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in the Saguenay–Lac-Saint-Jean area, the establishment where the employee reported for work had been situated in the Saguenay–Lac-Saint-Jean area, unless an amount is included, in respect of the employee, in relation to the other corporation, in computing the amount determined for the calendar year under this subparagraph 2 in relation to another recognized business, and”;

(3) by striking out “or 2003” in the portion of the third paragraph before subparagraph *a*.

(2) Paragraphs 1 and 2 of subsection 1 have effect from 1 January 2000.

(3) Paragraph 3 of subsection 1 has effect from 1 January 2003.

371. (1) Section 1029.8.36.72.18 of the said Act is amended

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

“(c) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, or the salary or wages paid by another qualified corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a period within the calendar year for which the employee would have been an eligible

employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in the Saguenay–Lac-Saint-Jean area, the establishment where the employee reported for work had been situated in the Saguenay–Lac-Saint-Jean area, exceeds the total of”;

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

“ii. the aggregate of all amounts each of which is the salary or wages paid by another qualified corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid by the other corporation in respect of a period within the base period of a qualified corporation that is a member of the group at the end of the calendar year in relation to a recognized business it carries on in the calendar year for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in the Saguenay–Lac-Saint-Jean area, the establishment where the employee reported for work had been situated in the Saguenay–Lac-Saint-Jean area, unless an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a period within a base period in relation to another recognized business carried on by a qualified corporation that is a member of the group of associated corporations.”;

(3) by striking out “or 2003” in the portion of the second paragraph before subparagraph *a*.

(2) Paragraphs 1 and 2 of subsection 1 have effect from 1 January 2000.

(3) Paragraph 3 of subsection 1 has effect from 1 January 2003.

372. Section 1029.8.36.72.20 of the said Act is replaced by the following section:

“1029.8.36.72.20. Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.72.18, the amount attributed to each of

the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.17, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.”

373. (1) Section 1029.8.36.72.22 of the said Act is amended by inserting “, pursuant to a legal obligation,” after “qualified corporation” in the portion before paragraph *a*.

(2) Subsection 1 has effect from 1 January 2000.

374. (1) Section 1029.8.36.72.25 of the said Act is amended by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(b) B is the aggregate of all amounts each of which is the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec that the vendor paid in respect of a period, within the base period, in relation to the particular recognized business, for which the employee was an eligible employee of the vendor or would have been an eligible employee of the vendor if the employee’s work had been related to activities of a recognized business of the vendor or if, in the event that the establishment of the vendor where the employee so reported for work was not situated in the Saguenay–Lac-Saint-Jean area, the establishment where the employee reported for work had been situated in the Saguenay–Lac-Saint-Jean area, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another recognized business;”.

(2) Subsection 1 has effect from 1 January 2000.

375. (1) Section 1029.8.36.72.29 of the said Act is amended

(1) by inserting “pay” before “period within a” in the definition of “eligible employee” in the first paragraph;

(2) by replacing the definition of “eligible amount” in the first paragraph by the following definition:

““eligible amount” of a corporation for a calendar year means the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in a pay period, within the year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec that were paid by the corporation in a pay period, within the year, for which the employee would be an eligible employee of the corporation if the establishment where the employee so reported for work were situated in the Angus Technopole;”;

(3) by replacing “the salaries or wages paid” and “in respect of the salaries or wages” in the portion of paragraphs *a* and *b* of the definition of “eligible

repayment of assistance” in the first paragraph before subparagraph i by “the salary or wages paid” and “in respect of the salary or wages”, respectively;

(4) by replacing the portion of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph ii by the following:

“(c) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of paragraph *b* of section 1029.8.36.72.35 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.32 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.32 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.32 had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the qualified corporation in relation to the preceding calendar year, and”;

(5) by adding the following paragraph after paragraph *b* of the definition of “qualified corporation” in the first paragraph:

“(c) a corporation control of which is acquired at any time after 11 June 2003 by a person or group of persons, unless acquiring control of the corporation

i. occurs before 1 July 2004 where Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

ii. is by a corporation carrying on at that time a recognized business, or by a group of persons all the members of which are corporations carrying on at that time a recognized business, or

iii. derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003;”;

(6) by inserting “pay” before “period within a” wherever it appears in the second and third paragraphs.

(2) Paragraphs 1 to 4 and 6 of subsection 1 have effect from 1 January 2003.

(3) Paragraph 5 of subsection 1 has effect from 12 June 2003.

376. (1) Section 1029.8.36.72.30 of the said Act is amended, in the first paragraph,

(1) by replacing “2004” in the portion before subparagraph *a* by “2007”;

(2) by replacing subparagraph *i* of subparagraph *a* by the following subparagraph:

“i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in a pay period, within the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in a pay period, within the qualified corporation’s base period in relation to the calendar year, for which the employee is an eligible employee or, where the calendar year, except in the case of a corporation that results from an amalgamation or a corporation to which section 1029.8.36.72.39 applies in relation to the calendar year, ends in the first taxation year of the corporation, an amount equal to zero, and”.

(2) Subsection 1 has effect from 1 January 2003.

377. (1) Section 1029.8.36.72.31 of the said Act is amended, in the first paragraph,

(1) by replacing “2004” in the portion before subparagraph *a* by “2007”;

(2) by replacing subparagraph *i* of subparagraph *a* by the following subparagraph:

“i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in a pay period, within the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in a pay period, within the qualified corporation’s base period in relation to the calendar year, for which the employee is an eligible employee or, where the calendar year, except in the case of a corporation that results from an amalgamation or a corporation to which section 1029.8.36.72.39 applies in relation to the calendar year, ends in the first taxation year of the corporation, an amount equal to zero, and”.

(2) Subsection 1 has effect from 1 January 2003.

378. (1) Section 1029.8.36.72.32 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) the amount by which the aggregate of all amounts each of which is the salary or wages paid by one such corporation to an employee in a pay period, within the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in a pay period, within the corporation’s base period in relation to that calendar year, for which the employee is an eligible employee or, where the calendar year, except in the case of a corporation that results from an amalgamation or a corporation to which section 1029.8.36.72.39 applies in relation to the calendar year, ends in the first taxation year of the corporation, an amount equal to zero; and”.

(2) Subsection 1 has effect from 1 January 2003.

379. (1) Section 1029.8.36.72.33 of the said Act is repealed.

(2) Subsection 1 has effect from 1 January 2000.

380. Section 1029.8.36.72.34 of the said Act is replaced by the following section:

“**1029.8.36.72.34.** Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under paragraph *a* or *b* of section 1029.8.36.72.32, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.31, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.”

381. (1) Section 1029.8.36.72.36 of the said Act is amended by inserting “, pursuant to a legal obligation,” after “qualified corporation” in the portion before paragraph *a*.

(2) Subsection 1 has effect from 1 January 2000.

382. (1) Section 1029.8.36.72.37 of the said Act is amended by replacing the portion of paragraph *b* before subparagraph *i* by the following:

“(b) for the purpose of determining the amount that the new corporation is deemed to have paid to the Minister under this division for the taxation year in which the calendar year ends, the new corporation is deemed to have paid, in

the preceding period, the aggregate of all amounts each of which is the salary or wages paid by a predecessor corporation to an employee in a pay period, within the preceding period, for which the employee”.

(2) Subsection 1 has effect from 1 January 2003.

383. (1) Section 1029.8.36.72.38 of the said Act is amended by replacing the portion of paragraph *b* before subparagraph *i* by the following:

“(b) for the purpose of determining the amount that the parent corporation is deemed to have paid to the Minister under this division for the taxation year in which the calendar year ends, the parent corporation is deemed to have paid, in the preceding period, the aggregate of all amounts each of which is the salary or wages paid by the subsidiary to an employee in a pay period, within the preceding period, for which the employee”.

(2) Subsection 1 has effect from 1 January 2003.

384. (1) Section 1029.8.36.72.39 of the said Act is amended

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

“(a) the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period, within the vendor’s base period in relation to the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, that were paid by the vendor in a pay period, within the vendor’s base period in relation to the particular calendar year, for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Angus Technopole, is deemed to be equal to the amount by which the aggregate otherwise determined exceeds the amount determined by the formula”;

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

“(b) the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period of the particular calendar year preceding the particular time for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, that were paid by the vendor in a pay period of the particular calendar year preceding the particular time for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Angus Technopole, is deemed, for the purpose of determining the amount that the vendor is deemed to have paid to the Minister under this division for the taxation year in

which the calendar year following the particular calendar year ends, to be equal to the amount by which the aggregate otherwise determined exceeds the amount determined by the formula”;

(3) by replacing subparagraph i of subparagraph c of the first paragraph by the following subparagraph:

“i. to have an eligible amount for the particular calendar year equal to the aggregate of its eligible amount for the year otherwise determined and the amount that is that proportion of the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period, within the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, that were paid by the vendor in a pay period, within the particular calendar year, for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Angus Technopole, to the extent that the employee may reasonably be considered to have been assigned to the carrying on of the part of the activities that diminished or ceased at the particular time, that the number of days in the particular calendar year that precede the particular time is of the number of days in the particular calendar year that precede the particular time and during which the vendor carried on those activities, and”;

(4) by replacing subparagraphs 2 and 3 of subparagraph ii of subparagraph c of the first paragraph by the following subparagraphs:

“(2) the amount that is that proportion of the salary or wages paid by the vendor to an employee in a pay period, within the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, that were paid by the vendor in a pay period, within the particular calendar year, for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Angus Technopole, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that diminished or ceased at the particular time, that the number of days in the particular calendar year that precede the particular time is of the number of days in the particular calendar year that precede the particular time and during which the vendor carried on those activities, and

“(3) the aggregate of all amounts each of which is the salary or wages paid by the purchaser to an employee in a pay period of the particular calendar year and after the particular time, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the purchaser situated in Québec, that were paid by the purchaser in a pay period of the particular calendar year and after the particular time, for which the employee would be an eligible employee of the purchaser if the establishment where the employee so reported for work were situated in the

Angus Technopole, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time.”;

(5) by replacing subparagraph *a* of the second paragraph by the following subparagraph:

“(a) A is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period, within the vendor’s base period for the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, that were paid by the vendor in a pay period, within the vendor’s base period in relation to the particular calendar year, for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Angus Technopole.”;

(6) by replacing subparagraph *d* of the second paragraph by the following subparagraph:

“(d) D is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in a pay period of the particular calendar year preceding the particular time for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, that were paid by the vendor in a pay period of the particular calendar year preceding the particular time for which the employee would be an eligible employee of the vendor if the establishment where the employee so reported for work were situated in the Angus Technopole.”

(2) Subsection 1 has effect from 1 January 2003.

385. (1) Section 1029.8.36.72.43 of the said Act is amended

(1) by replacing the definition of “eligible employee” in the first paragraph by the following definition:

““eligible employee” of a corporation for a period within a calendar year, in relation to a recognized business of the corporation, means an employee who, during that period, reports for work at an establishment of the corporation situated in an eligible region and who, throughout that period, spends, when at work, at least 75% of the time undertaking, supervising or supporting, in the course of the carrying on by the corporation of the recognized business or another recognized business of the corporation in the year, work that is directly related to activities described in any of paragraphs *a* to *f* of the definition of “recognized business” and in the qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of such a recognized business.”;

(2) by replacing subparagraphs i and ii of paragraph *b* of the definition of “base amount” in the first paragraph by the following subparagraphs:

“i. the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, that were paid by the corporation in the course of carrying on that particular recognized business, in respect of a period within its base period, in relation to the particular recognized business, for which the employee was an eligible employee or would have been an eligible employee of the corporation if the establishment where the employee so reported had been situated in an eligible region, or

“ii. the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, that were paid by the corporation in the course of carrying on any given business that is not a recognized business, in respect of a period within its base period, in relation to the particular recognized business, for which the employee would have been an eligible employee of the corporation if the given business had been a recognized business of the corporation and if, in the event that the establishment of the corporation where the employee so reported for work was not situated in an eligible region, the establishment where the employee so reported had been situated in an eligible region, unless an amount is included, in respect of the employee, in relation to the given business, in computing the base amount of the corporation in relation to another recognized business;”;

(3) by replacing the definition of “eligibility period” in the first paragraph by the following definition:

““eligibility period” of a corporation, in relation to a recognized business, means, subject to the second paragraph, the period that begins on 1 January of the first calendar year in respect of which the corporation obtains its qualification certificate in relation to the recognized business and that ends on 31 December 2002;”;

(4) by inserting the following paragraph after paragraph *a* of the definition of “eligible region” in the first paragraph:

“(a.1) in respect of a business described in paragraph *b* of the definition of “recognized business”, or in paragraph *f* of that definition in relation to a business the activities of which are related to a business described in that paragraph *b*, the administrative region 01 Bas-Saint-Laurent and the administrative regions described in subparagraphs i and ii of paragraph *a*;”;

(5) by replacing “paragraphs *b* to *d*” wherever it appears in paragraph *b* of the definition of “eligible region” in the first paragraph by “paragraphs *c* and *d*”;

(6) by striking out “, with reference to the second paragraph of that section,” wherever it appears in the portion of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph ii;

(7) by inserting the following paragraph after the third paragraph:

“For the purposes of the definition of “recognized business” in the first paragraph,

(a) the following activities do not constitute activities of a recognized business:

i. food manufacturing or processing activities carried on in restaurants, hotels, shopping centres, supermarkets, grocery stores or other similar establishments, and

ii. manufacturing or processing activities carried on outside an eligible region; and

(b) the installation by a corporation of a product or specialized equipment referred to in the definition of “recognized business” constitutes an activity of a recognized business, where the product or specialized equipment is the result of the manufacturing or processing activity carried on by the corporation or a corporation with which it is associated.”;

(8) by replacing the fifth paragraph by the following paragraph:

“Investissement Québec may, at the request of a corporation, cancel, in the circumstances and on the conditions it determines, a qualification certificate issued to the corporation, in relation to a recognized business. The certificate so cancelled is not a revoked certificate for the purposes of Part III.10.1.5.”

(2) Paragraph 1 of subsection 1 has effect from 1 January 2001.

(3) Paragraph 2 of subsection 1 has effect from 1 January 2000.

(4) Paragraphs 3 to 7 of subsection 1 have effect from 1 January 2002.

(5) Paragraph 8 of subsection 1 applies in respect of requests for the cancellation of qualification certificates relating to the calendar year 2002. In addition, where subparagraph ii of subparagraph *a* of the fifth paragraph of section 1029.8.36.72.43 of the said Act, replaced by paragraph 8 of subsection 1, applies before 1 January 2002, the reference therein to “III.10.1.3” shall be read as a reference to “III.10.1.5”.

386. (1) Section 1029.8.36.72.44 of the said Act is amended by striking out “or 2003” in the portion of the second paragraph before subparagraph *a*.

(2) Subsection 1 has effect from 1 January 2003.

387. (1) Section 1029.8.36.72.45 of the said Act is amended

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

“ii. the amount by which the aggregate of all amounts each of which is the qualified corporation’s eligible amount for the calendar year or the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a period within the calendar year for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in an eligible region, the establishment where the employee reported for work had been situated in an eligible region, exceeds the total of”;

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

“(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a period within the qualified corporation’s base period in relation to a recognized business it carries on in the calendar year, for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in an eligible region, the establishment where the employee reported for work had been situated in an eligible region, unless an amount is included, in respect of the employee, in relation to the other corporation, in computing an amount determined for the calendar year under this subparagraph 2 in relation to another recognized business, and”;

(3) by striking out “or 2003” in the portion of the third paragraph before subparagraph *a*.

(2) Paragraphs 1 and 2 of subsection 1 have effect from 1 January 2000.

(3) Paragraph 3 of subsection 1 has effect from 1 January 2003.

388. (1) Section 1029.8.36.72.46 of the said Act is amended

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

“(c) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, or the salary or wages paid by another qualified corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a period within the calendar year, for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in an eligible region, the establishment where the employee reported for work had been situated in an eligible region, exceeds the total of”;

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

“ii. the aggregate of all amounts each of which is the salary or wages paid by another qualified corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid by the other corporation in respect of a period within the base period of a qualified corporation that is a member of the group at the end of the calendar year in relation to a recognized business it carries on in the calendar year, for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in an eligible region, the establishment where the employee reported for work had been situated in an eligible region, unless an amount is included, in respect of the employee, in computing an amount under this subparagraph ii, in relation to a period within a base period in relation to another recognized business that is carried on by a qualified corporation that is a member of the group of associated corporations.”;

(3) by striking out “or 2003” in the portion of the second paragraph before subparagraph *a*.

(2) Paragraphs 1 and 2 of subsection 1 have effect from 1 January 2000.

(3) Paragraph 3 of subsection 1 has effect from 1 January 2003.

389. Section 1029.8.36.72.47 of the said Act is replaced by the following section:

“1029.8.36.72.47. Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.72.46, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.45, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.”

390. (1) Section 1029.8.36.72.49 of the said Act is amended by inserting “, pursuant to a legal obligation,” after “qualified corporation” in the portion before paragraph *a*.

(2) Subsection 1 has effect from 1 January 2000.

391. (1) Section 1029.8.36.72.52 of the said Act is amended by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(b) B is the aggregate of all amounts each of which is the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec that the vendor paid in respect of a period, within the base period, in relation to the particular recognized business, for which the employee was an eligible employee of the vendor or would have been an eligible employee of the vendor if the employee’s work had been related to activities of a recognized business of the vendor or if, in the event that the establishment of the vendor where the employee so reported for work was not situated in an eligible region, the establishment where the employee reported had been situated in an eligible region, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another recognized business;”.

(2) Subsection 1 has effect from 1 January 2000.

392. (1) The heading of Division II.6.6.5 of Chapter III.1 of Title III of Book IX of Part I of the said Act is replaced by the following heading:

“CREDITS FOR THE DEVELOPMENT OF THE FIELDS OF BIOTECHNOLOGY AND NUTRACEUTICALS”.

(2) Subsection 1 has effect from 1 January 2002.

393. (1) Section 1029.8.36.72.56 of the said Act is amended

(1) by striking out the definition of “City of Biotechnology and Human Health of Metropolitan Montréal” in the first paragraph;

(2) by replacing the definition of “eligible employee” in the first paragraph by the following definition:

““eligible employee” of a corporation for a pay period of a calendar year, in relation to a recognized business, means an employee, other than an excluded employee at any time in that period, in respect of whom a qualification certificate is issued to the corporation for the year by Investissement Québec for the purposes of this division, certifying that the employee is an eligible employee of the corporation for the pay period, in relation to the recognized business;”;

(3) by replacing the definition of “excluded employee” in the first paragraph by the following definition:

““excluded employee” at a particular time means an employee of a corporation who, at that time, is

(a) a specified shareholder of the corporation or, where the corporation is a cooperative, a specified member of the corporation; or

(b) a specified employee within the meaning of the first paragraph of section 1029.8.36.0.17;”;

(4) by replacing the definition of “recognized business” in the first paragraph by the following definition:

““recognized business” of a corporation for a taxation year means a business carried on by the corporation in the year and in respect of which a qualification certificate is issued by Investissement Québec for the purposes of this division certifying that

(a) the business is carried on in an eligible site and that its activities consist in manufacturing products, in whole or in part, in the biotechnology sector and, where applicable, commercializing them, or are related to the biotechnology sector, but do not consist in activities, described in paragraph *b*, of another recognized business of the corporation for the year; or

(b) the business is carried on in an establishment of the corporation situated in the Québec area and that its activities consist in manufacturing nutraceuticals or functional foods, in whole or in part, and, where applicable, commercializing them, or are related to the nutraceuticals or functional foods sector, but do not consist in activities, described in paragraph *a*, of another recognized business of the corporation for the year;”;

(5) by replacing the definition of “eligible amount” in the first paragraph by the following definition:

““eligible amount” of a corporation for a calendar year means

(a) in relation to a corporation that carries on a recognized business described in paragraph *a* of the definition of “recognized business”, the aggregate of all amounts each of which is

i. the salary or wages paid by the corporation to an employee in respect of a pay period, within the year, for which the employee is an eligible employee, in relation to a recognized business of the corporation described in that paragraph *a*, or

ii. the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, other than an employee referred to in subparagraph i or an excluded employee of the corporation, that were paid by the corporation in respect of a pay period, within the year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in paragraph *a* of the definition of “recognized business”; and

(b) in relation to a corporation that carries on a recognized business described in paragraph *b* of the definition of “recognized business”, the aggregate of all amounts each of which is

i. the salary or wages paid by the corporation to an employee in respect of a pay period, within the year, for which the employee is an eligible employee, in relation to a recognized business of the corporation described in that paragraph *b*, or

ii. the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, other than an employee referred to in subparagraph i or an excluded employee of the corporation, that were paid by the corporation in respect of a pay period, within the year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in paragraph *b* of the definition of “recognized business”;

(6) by replacing the definition of “base amount” in the first paragraph by the following definition:

““base amount” of a corporation in relation to a particular recognized business means

(a) where the particular recognized business is described in paragraph *a* of the definition of “recognized business”,

i. except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period in relation to the particular recognized business, the corporation carried on a business in Québec in the sectors of activity described in paragraph *a* of the definition of “recognized business”, and

ii. in any other case, the aggregate of all amounts each of which is

(1) the salary or wages that were paid by the corporation to an employee in the course of carrying on that particular recognized business, in respect of a pay period, within its base period, in relation to the particular recognized business, for which the employee is an eligible employee, or

(2) the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec but outside an eligible site, other than an excluded employee of the corporation, that were paid by the corporation in the course of carrying on any given business, in respect of a pay period, within its base period, in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in paragraph *a* of the definition of “recognized business”, except if an amount is included, in respect of the employee, in relation to the given business, in computing the base amount of the corporation in relation to another recognized business described in that paragraph *a*; and

(*b*) where the particular recognized business is described in paragraph *b* of the definition of “recognized business”,

i. except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period in relation to the particular recognized business, the corporation carried on a business in Québec in the sectors of activity described in paragraph *b* of the definition of “recognized business”, and

ii. in any other case, the aggregate of all amounts each of which is

(1) the salary or wages that were paid by the corporation to an employee in the course of carrying on that particular recognized business, in respect of a pay period, within its base period, in relation to the particular recognized business, for which the employee is an eligible employee, or

(2) the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec but outside the Québec area, other than an excluded employee of the corporation, that were paid by the corporation in the course of carrying on any given business, in respect of a pay period, within its base period, in relation to the particular recognized

business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in paragraph *b* of the definition of “recognized business”, except if an amount is included, in respect of the employee, in relation to the given business, in computing the base amount of the corporation in relation to another recognized business described in that paragraph *b*”;

(7) by inserting the following definition in alphabetical order in the first paragraph:

““eligibility period” of a corporation, in relation to a recognized business, means, subject to the second paragraph, the three-year period that begins on 1 January of the first calendar year, preceding the calendar year 2004, in respect of which the corporation obtains its qualification certificate in relation to the recognized business;”;

(8) by replacing the definition of “base period” in the first paragraph by the following definition:

““base period” of a corporation, in relation to a recognized business, means the calendar year preceding the calendar year in which the eligibility period of a corporation in relation to the recognized business begins;”;

(9) by inserting the following definition in alphabetical order in the first paragraph:

““Québec area” means the Québec Census Metropolitan Area, as described in the 1996 Census Dictionary published by Statistics Canada;”;

(10) by replacing the portion of paragraph *a* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph ii by the following:

“(a) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.62 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.57 or 1029.8.36.72.61.1 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.57 or 1029.8.36.72.61.1 in respect of the qualified corporation in relation to the preceding calendar year, and”;

(11) by replacing the portion of paragraph *b* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph ii by the following:

“(b) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.62 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business described in paragraph *a* or *b* of the definition of “recognized business”, for its taxation year in which the preceding calendar year ended, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the qualified corporation in relation to the preceding calendar year, and”;

(12) by replacing the portion of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph ii by the following:

“(c) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.62 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* or *c* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2, in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* or *c* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 in relation to that preceding calendar

year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.59 or 1029.8.36.72.61.3 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2, in respect of the qualified corporation in relation to the preceding calendar year, and”;

(13) by inserting the following definition in alphabetical order in the first paragraph:

““eligible site” means

(*a*) a site situated in the territory of Ville de Laval and determined by the Minister of Finance to be the Cité de la biotechnologie et de la santé humaine du Montréal métropolitain;

(*b*) a site situated in the territory of Ville de Sherbrooke and determined by the Minister of Finance to be the Zone de développement des biotechnologies de Sherbrooke; or

(*c*) a site situated in the territory of Ville de Saint-Hyacinthe and determined by the Minister of Finance to be the Cité de la biotechnologie agroalimentaire, vétérinaire et agroenvironnementale de Saint-Hyacinthe;”;

(14) by adding the following paragraph after paragraph *b* of the definition of “qualified corporation” in the first paragraph:

“(c) a corporation control of which is acquired at any time after 11 June 2003 by a person or group of persons, unless acquiring control of the corporation

i. occurs before 1 July 2004 where Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

ii. is by any of the following persons or groups of persons:

(1) in relation to a corporation carrying on at that time a recognized business described in paragraph *a* of the definition of “recognized business”, a person that is a corporation carrying on at that time such a recognized business, or a group of persons all the members of which are corporations carrying on at that time such a recognized business, or

(2) in relation to a corporation carrying on at that time a recognized business described in paragraph *b* of the definition of “recognized business”, a

person that is a corporation carrying on at that time such a recognized business, or a group of persons all the members of which are corporations carrying on at that time such a recognized business, or

iii. derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003;”;

(15) by inserting the following paragraph after the first paragraph:

“Except where section 1029.8.36.72.64 or 1029.8.36.72.65 applies, where, in a taxation year, a corporation carries on a business in respect of which a qualification certificate has been issued by Investissement Québec, and the business, according to Investissement Québec, is the continuation of a recognized business or part of such a recognized business previously carried on by another corporation, the eligibility period of the corporation, in relation to the recognized business, is deemed, for the purposes of the definition of “eligibility period” in the first paragraph, to have begun on the date on which the eligibility period of the other corporation began, in relation to the recognized business.”;

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

“For the purposes of this division,

(a) where, during a pay period within a calendar year, an employee reports for work at an establishment of a qualified corporation situated in an eligible site and at an establishment of the qualified corporation situated outside the site, the employee is, for that period, deemed

i. except if subparagraph ii applies, to report for work only at the establishment situated in the eligible site, or

ii. to report for work only at the establishment situated outside the site if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside the site;

(b) where, during a pay period within a calendar year, an employee reports for work at an establishment of a qualified corporation situated in the Québec area and at an establishment of the qualified corporation situated outside that area, the employee is, for that period, deemed

i. except if subparagraph ii applies, to report for work only at the establishment situated in the Québec area, or

ii. to report for work only at the establishment situated outside that area if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside the Québec area;

(c) where, during a pay period within a calendar year, an employee reports for work at an establishment of a qualified corporation situated in Québec and at an establishment of the qualified corporation situated outside Québec, the employee is, for that period, deemed

i. except if subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside Québec; and

(d) where, during a pay period within a calendar year, an employee is not required to report for work at an establishment of a qualified corporation and the employee's salary or wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.”;

(17) by striking out the third paragraph.

(2) Paragraphs 1 to 13 and 15 to 17 of subsection 1 have effect from 1 January 2002. However, where section 1029.8.36.72.56 of the said Act applies before 1 January 2003,

(1) the definition of “eligible employee” in the first paragraph shall be read with the reference to “pay period” replaced by a reference to “period”; and

(2) the definitions of “base amount” and “eligible amount” in the first paragraph and the third paragraph, enacted by paragraph 16, shall be read with the reference to “pay” struck out.

(3) Paragraph 14 of subsection 1 has effect from 12 June 2003.

394. (1) Section 1029.8.36.72.57 of the said Act is amended

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

“1029.8.36.72.57. A qualified corporation that is not associated with any other corporation at the end of a calendar year within the qualified corporation's eligibility period, in relation to a recognized business described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, hereinafter called the “recognized business in respect of biotechnology”, and that encloses the documents referred to in the second paragraph with the fiscal return the qualified corporation is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the third paragraph, to have paid to the Minister on the qualified corporation's balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal to 40% of the aggregate of

(a) the lesser of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, within the calendar year, for which the employee is an eligible employee, in relation to a recognized business in respect of biotechnology, exceeds the aggregate of all amounts each of which is, in relation to a recognized business in respect of biotechnology,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, in relation to the recognized business, the corporation carried on a business in Québec in the sectors of activity described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, within its base period, in relation to the recognized business, for which the employee is an eligible employee, and

ii. the amount by which the qualified corporation’s eligible amount for the calendar year, in relation to a recognized business in respect of biotechnology, exceeds the aggregate of all amounts each of which is the qualified corporation’s base amount in relation to a recognized business in respect of biotechnology that the corporation carries on in the calendar year; and

(b) the eligible repayment of assistance by the qualified corporation for the taxation year.”;

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

“(b) a copy of the unrevoked certificate and qualification certificates issued to the qualified corporation in respect of a recognized business in respect of biotechnology and its eligible employees in relation to such a business.”;

(3) by inserting “in respect of biotechnology” after “recognized business” in the portion of the third paragraph before subparagraph *a*.

(2) Subsection 1 has effect from 1 January 2002. However, where the first paragraph of section 1029.8.36.72.57 of the said Act applies before 1 January 2003, it shall be read with the reference to “pay”, wherever it appears, struck out.

395. (1) Section 1029.8.36.72.58 of the said Act is amended

(1) by replacing the first and second paragraphs by the following paragraphs:

“1029.8.36.72.58. A qualified corporation that is associated with one or more other corporations at the end of a calendar year within the qualified corporation’s eligibility period, in relation to a recognized business described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, hereinafter called the “recognized business in respect of biotechnology”, and that encloses the documents referred to in the third paragraph with the fiscal return the qualified corporation is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the fourth paragraph, to have paid to the Minister on the qualified corporation’s balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal to 40% of the aggregate of

(a) subject to the second paragraph, the least of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, within the calendar year, for which the employee is an eligible employee, in relation to a recognized business in respect of biotechnology, exceeds the aggregate of all amounts each of which is, in relation to a recognized business in respect of biotechnology,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, in relation to the recognized business, the corporation carried on a business in Québec in the sectors of activity described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, within its base period, in relation to the recognized business, for which the employee is an eligible employee, and

ii. the amount by which the aggregate of all amounts each of which is the qualified corporation’s eligible amount for the calendar year, in relation to a recognized business in respect of biotechnology, or the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, exceeds the total of

(1) the aggregate of all amounts each of which is the qualified corporation's base amount in relation to a recognized business in respect of biotechnology that the qualified corporation carries on in the calendar year, and

(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of that calendar year to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the base period of the qualified corporation, in relation to a recognized business in respect of biotechnology it carries on in the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in paragraph *a* of the definition of "recognized business" in the first paragraph of section 1029.8.36.72.56, except if an amount is included, in respect of the employee, in relation to the other corporation, in computing an amount determined for the calendar year under this subparagraph 2 in relation to another recognized business in respect of biotechnology, and

iii. the amount by which the qualified corporation's eligible amount for the calendar year, in relation to a recognized business in respect of biotechnology, exceeds the aggregate of all amounts each of which is the qualified corporation's base amount in relation to a recognized business in respect of biotechnology that the qualified corporation carries on in the calendar year; and

(*b*) the eligible repayment of assistance by the qualified corporation for the taxation year, to the extent that the amount of that repayment is not included in computing, for the year, an eligible repayment of assistance for the purposes of subparagraph *b* of the first paragraph of section 1029.8.36.72.61.2.

"Where the qualified corporation referred to in the first paragraph is associated, at the end of the calendar year, with at least one other qualified corporation carrying on a recognized business in respect of biotechnology in the taxation year in which the calendar year ends, the amount determined under subparagraph *a* of that first paragraph, in respect of the calendar year, shall not exceed the amount that is attributed to it in respect of the calendar year pursuant to the agreement referred to in section 1029.8.36.72.59.";

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

"(*b*) a copy of the unrevoked certificate and qualification certificates issued to the qualified corporation in respect of a recognized business in respect of biotechnology and its eligible employees in relation to such a business; and";

(3) by inserting "in respect of biotechnology" after "recognized business" in the portion of the fourth paragraph before subparagraph *a*.

(2) Subsection 1 has effect from 1 January 2002. However, where the first paragraph of section 1029.8.36.72.58 of the said Act applies before 1 January 2003, it shall be read with the reference to “pay”, wherever it appears, struck out.

396. (1) Section 1029.8.36.72.59 of the said Act is replaced by the following section:

“1029.8.36.72.59. The agreement to which the second paragraph of section 1029.8.36.72.58 refers in respect of a calendar year means an agreement under which all of the qualified corporations carrying on, in the calendar year, a recognized business described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, hereinafter called the “recognized business in respect of biotechnology”, and that are associated with each other at the end of that calendar year, hereinafter called the “group of associated corporations”, attribute to one or more of their number, for the purposes of this division, one or more amounts; the aggregate of the amounts so attributed, for the calendar year, shall not be greater than the least of

(*a*) the amount by which the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, within the calendar year, for which the employee is an eligible employee of the corporation, in relation to a recognized business in respect of biotechnology, exceeds the aggregate of all amounts each of which is

i. except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in the base period of a qualified corporation that is a member of the group of associated corporations in relation to a recognized business in respect of biotechnology that the corporation carries on in the calendar year, the corporation carried on a business in Québec in the sectors of activity described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, and

ii. in any other case, the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee, in respect of a pay period, within its base period, in relation to a recognized business in respect of biotechnology, for which the employee is an eligible employee of that qualified corporation;

(*b*) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations for the calendar year, in relation to a recognized business in respect of biotechnology, exceeds the aggregate of all amounts each of which is the base amount of such a corporation in relation to a recognized business in respect of biotechnology that the corporation carries on in the calendar year; and

(c) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, in relation to a recognized business in respect of biotechnology, or the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in respect of biotechnology in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the other corporation that are described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, exceeds the total of

i. the aggregate of all amounts each of which is the base amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, in relation to a recognized business in respect of biotechnology that the corporation carries on in the calendar year, and

ii. the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in respect of biotechnology in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid by the other corporation in respect of a pay period, within the base period of a qualified corporation that is a member of the group at the end of the calendar year, in relation to a recognized business in respect of biotechnology that the corporation carries on in the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the other corporation that are described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, except if an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a period within a base period in relation to another recognized business in respect of biotechnology that is carried on by a qualified corporation that is a member of the group of associated corporations.”

(2) Subsection 1 has effect from 1 January 2002. However, where section 1029.8.36.72.59 of the said Act applies before 1 January 2003, it shall be read with the reference to “pay”, wherever it appears, struck out.

397. (1) Section 1029.8.36.72.60 of the said Act is repealed.

(2) Subsection 1 has effect from 1 January 2002.

398. Section 1029.8.36.72.61 of the said Act is replaced by the following section:

“1029.8.36.72.61. Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business described in paragraph *a* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, and that are associated with each other at the end of that calendar year, exceeds the particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under any of paragraphs *a* to *c* of section 1029.8.36.72.59, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.58, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.”

399. (1) The said Act is amended by inserting the following sections after section 1029.8.36.72.61:

“1029.8.36.72.61.1. A qualified corporation that is not associated with any other corporation at the end of a calendar year within the qualified corporation’s eligibility period, in relation to a recognized business described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, hereinafter called the “recognized business in respect of nutraceuticals”, and that encloses the documents referred to in the second paragraph with the fiscal return the qualified corporation is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the third paragraph, to have paid to the Minister on the qualified corporation’s balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal to 40% of the aggregate of

(*a*) the lesser of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, within the calendar year, for which the employee is an eligible employee, in relation to a recognized business in respect of nutraceuticals, exceeds the aggregate of all amounts each of which is, in relation to a recognized business in respect of nutraceuticals,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period in relation to the recognized business, the corporation carried on a business in Québec in the sectors of activity described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, within its base period, in relation to the recognized business, for which the employee is an eligible employee, and

ii. the amount by which the qualified corporation's eligible amount for the calendar year, in relation to a recognized business in respect of nutraceuticals, exceeds the aggregate of all amounts each of which is the qualified corporation's base amount, in relation to a recognized business in respect of nutraceuticals that the corporation carries on in the calendar year; and

(b) the eligible repayment of assistance by the qualified corporation for the taxation year, to the extent that the amount of the repayment is not included in computing an eligible repayment of assistance for the year for the purposes of subparagraph *b* of the first paragraph of section 1029.8.36.72.57.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information; and

(b) a copy of the unrevoked certificate and qualification certificates issued to the qualified corporation in respect of a recognized business in respect of nutraceuticals and its eligible employees in relation to such a business.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable under this Part, for a particular taxation year that is subsequent to the first taxation year in which the first calendar year within the qualified corporation's eligibility period ends in relation to a recognized business in respect of nutraceuticals, and of its tax payable for that particular taxation year under Parts IV, 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 particular amount that is the lesser of the amount determined under the first paragraph for the taxation year preceding the particular taxation year and the amount determined under that paragraph for the particular taxation year exceeds the aggregate of all amounts each of which is the portion of the particular amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular taxation 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 this section, to have been paid to the Minister on that date, for the purpose of computing that payment.

“1029.8.36.72.61.2. A qualified corporation that is associated with one or more other corporations at the end of a calendar year within the qualified corporation’s eligibility period, in relation to a recognized business described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, hereinafter called the “recognized business in respect of nutraceuticals”, and that encloses the documents referred to in the third paragraph with the fiscal return the qualified corporation is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the fourth paragraph, to have paid to the Minister on the qualified corporation’s balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal to 40% of the aggregate of

(a) subject to the second paragraph, the least of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, within the calendar year, for which the employee is an eligible employee, in relation to a recognized business in respect of nutraceuticals, exceeds the aggregate of all amounts each of which is, in relation to a recognized business in respect of nutraceuticals,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, in relation to the recognized business, the corporation carried on a business in Québec in the sectors of activity described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, within its base period, in relation to the recognized business, for which the employee is an eligible employee, and

ii. the amount by which the aggregate of all amounts each of which is the qualified corporation’s eligible amount for the calendar year, in relation to a recognized business in respect of nutraceuticals, or the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, exceeds the total of

(1) the aggregate of all amounts each of which is the qualified corporation's base amount in relation to a recognized business in respect of nutraceuticals that the qualified corporation carries on in the calendar year, and

(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of that calendar year to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the base period of the qualified corporation, in relation to a recognized business in respect of nutraceuticals it carries on in the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in paragraph *b* of the definition of "recognized business" in the first paragraph of section 1029.8.36.72.56, except if an amount is included, in respect of the employee, in relation to the other corporation, in computing an amount determined for the calendar year under this subparagraph 2 in relation to another recognized business in respect of nutraceuticals, and

iii. the amount by which the qualified corporation's eligible amount for the calendar year, in relation to a recognized business in respect of nutraceuticals, exceeds the aggregate of all amounts each of which is the qualified corporation's base amount in relation to a recognized business in respect of nutraceuticals that the qualified corporation carries on in the calendar year; and

(*b*) the eligible repayment of assistance by the qualified corporation for the taxation year, to the extent that the amount of the repayment is not included in computing an eligible repayment of assistance for the year for the purposes of subparagraph *b* of the first paragraph of section 1029.8.36.72.58.

Where the qualified corporation referred to in the first paragraph is associated, at the end of the calendar year, with at least one other qualified corporation carrying on a recognized business in respect of nutraceuticals in the taxation year in which the calendar year ends, the amount determined under subparagraph *a* of that first paragraph, in respect of the calendar year, shall not exceed the amount that is attributed to it in respect of the calendar year pursuant to the agreement referred to in section 1029.8.36.72.61.3.

The documents to which the first paragraph refers are the following:

(*a*) the prescribed form containing the prescribed information;

(*b*) a copy of the unrevoked certificate and qualification certificates issued to the qualified corporation in respect of a recognized business in respect of nutraceuticals and its eligible employees in relation to such a business; and

(c) where the second paragraph applies, the agreement referred to in section 1029.8.36.72.61.3 filed in prescribed form.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable under this Part, for a particular taxation year that is subsequent to the first taxation year in which the first calendar year within the qualified corporation's eligibility period ends in relation to a recognized business in respect of nutraceuticals, and of its tax payable for that particular taxation year under Parts IV, 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 particular amount that is the lesser of the amount determined under the first paragraph for the taxation year preceding the particular taxation year and the amount determined under that paragraph for the particular taxation year exceeds the aggregate of all amounts each of which is the portion of the particular amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular taxation 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 this section, to have been paid to the Minister on that date, for the purpose of computing that payment.

“1029.8.36.72.61.3. The agreement to which the second paragraph of section 1029.8.36.72.61.2 refers in respect of a calendar year means an agreement under which all of the qualified corporations carrying on, in the calendar year, a recognized business described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, hereinafter called the “recognized business in respect of nutraceuticals”, and that are associated with each other at the end of that calendar year, hereinafter called the “group of associated corporations”, attribute to one or more of their number, for the purposes of this division, one or more amounts; the aggregate of the amounts so attributed, for the calendar year, shall not be greater than the least of

(a) the amount by which the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, within the calendar year, for which the employee is an eligible employee of the corporation, in relation to a recognized business in respect of nutraceuticals, exceeds the aggregate of all amounts each of which is

i. except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in the base period of a qualified

corporation that is a member of the group of associated corporations, in relation to a recognized business in respect of nutraceuticals that the corporation carries on in the calendar year, the corporation carried on a business in Québec in the sectors of activity described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, and

ii. in any other case, the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee, in respect of a pay period, within its base period, in relation to a recognized business in respect of nutraceuticals, for which the employee is an eligible employee of that qualified corporation;

(*b*) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations for the calendar year, in relation to a recognized business in respect of nutraceuticals, exceeds the aggregate of all amounts each of which is the base amount of such a corporation in relation to a recognized business in respect of nutraceuticals that the corporation carries on in the calendar year; and

(*c*) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, in relation to a recognized business in respect of nutraceuticals, or the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in respect of nutraceuticals in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the other corporation that are described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, exceeds the total of

i. the aggregate of all amounts each of which is the base amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, in relation to a recognized business in respect of nutraceuticals that the corporation carries on in the calendar year, and

ii. the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in respect of nutraceuticals in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid by the other corporation in respect of a pay period, within the base period of a qualified corporation that is a member of the group at the end of the calendar year, in relation to a

recognized business in respect of nutraceuticals that the corporation carries on in the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the other corporation that are described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, except if an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a period within a base period in relation to another recognized business in respect of nutraceuticals that is carried on by a qualified corporation that is a member of the group of associated corporations.

“1029.8.36.72.61.4. Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business described in paragraph *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, and that are associated with each other at the end of that calendar year, exceeds the particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under any of paragraphs *a* to *c* of section 1029.8.36.72.61.3, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.61.2, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.”

(2) Subsection 1 has effect from 1 January 2002. However, where the first paragraph of sections 1029.8.36.72.61.1 and 1029.8.36.72.61.2 and section 1029.8.36.72.61.3 of the said Act apply before 1 January 2003, they shall be read with the reference to “pay”, wherever it appears, struck out.

400. (1) Section 1029.8.36.72.62 of the said Act is amended

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

“1029.8.36.72.62. For the purpose of computing the amount that is deemed to have been paid to the Minister by a qualified corporation, for a particular taxation year, under any of sections 1029.8.36.72.57, 1029.8.36.72.58, 1029.8.36.72.61.1 and 1029.8.36.72.61.2, the following rules apply, subject to the second paragraph:

(*a*) the amount of the salaries or wages referred to in the definitions of “base amount” and “eligible amount” in the first paragraph of section 1029.8.36.72.56, in subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.72.57, in subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.72.58, in subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.72.61.1 or in subparagraph *i* of

subparagraph *a* of the first paragraph of section 1029.8.36.72.61.2 and paid by the qualified corporation, and the amount of the salaries or wages referred to in subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or in subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.61.2 and paid by a corporation associated with the qualified corporation shall be reduced, where applicable,”;

(2) by replacing “paid by the qualified corporation under” in subparagraph i of paragraph *a* by “referred to in”;

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

“(b) the amount of the salaries or wages paid by a particular qualified corporation associated with one or more other qualified corporations, determined for the purpose of computing the amount that may be attributed, in respect of a calendar year, in accordance with section 1029.8.36.72.59 or 1029.8.36.72.61.3 to one or more of their number, shall be reduced, where applicable,”;

(4) by replacing “under” in subparagraph i of paragraph *b* by “referred to in”;

(5) by adding the following paragraph:

“The aggregate of the amounts referred to in the first paragraph that reduced the amount of the salaries or wages paid by the qualified corporation or a corporation associated with it in respect of a pay period within the qualified corporation’s base period, in relation to a recognized business, shall not exceed, for each of those corporations, the aggregate of the amounts referred to in the first paragraph that reduced the amount of the salaries or wages paid by the qualified corporation or the corporation associated with it, in relation to that recognized business, in respect of a pay period within the calendar year ending in the particular taxation year.”

(2) Subsection 1 has effect from 1 January 2002. However, where the second paragraph of section 1029.8.36.72.62 of the said Act applies before 1 January 2003, it shall be read with the reference to “pay”, wherever it appears, struck out.

401. (1) Section 1029.8.36.72.63 of the said Act is amended

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

“**1029.8.36.72.63.** For the purposes of this division, an amount of assistance is deemed to be repaid in a calendar year by a qualified corporation, pursuant to a legal obligation, where that amount”;

(2) by replacing subparagraphs i and ii of paragraph *a* by the following subparagraphs:

“i. in the case of assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.62, the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under subparagraph *a* of the first paragraph of any of sections 1029.8.36.72.57, 1029.8.36.72.58, 1029.8.36.72.61.1 and 1029.8.36.72.61.2, or

“ii. in the case of assistance referred to in subparagraph *b* of the first paragraph of section 1029.8.36.72.62, the excess amount referred to in paragraph *a* or *c* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 determined, in respect of a calendar year, in relation to all of the qualified corporations that are associated with each other;”.

(2) Subsection 1 has effect from 1 January 2002. In addition, where subparagraph *i* of paragraph *a* of section 1029.8.36.72.63 of the said Act applies after 31 December 2000, the reference therein to “1029.8.36.72.56 or 1029.8.36.72.57” shall be read as a reference to “1029.8.36.72.57 or 1029.8.36.72.58”.

402. (1) Sections 1029.8.36.72.64 and 1029.8.36.72.65 of the said Act are replaced by the following sections:

“1029.8.36.72.64. Where a corporation, in this section referred to as the “new corporation”, resulting from the amalgamation, within the meaning of section 544, of two or more corporations, each of which referred to in this section as a “predecessor corporation”, carries on after the amalgamation a business carried on before the amalgamation by a predecessor corporation, the new corporation and the predecessor corporation are deemed, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for the taxation year in which the calendar year in which the amalgamation occurred ends and for a subsequent taxation year, to be the same corporation throughout the period during which the predecessor corporation carried on, or is deemed to have carried on under this division, the business.

In addition, for the purposes of this division, where the new corporation carries on after the amalgamation a recognized business resulting from the consolidation of recognized businesses carried on by predecessor corporations, immediately before the amalgamation, each recognized business so carried on before the amalgamation is deemed to be a separate recognized business carried on by the new corporation after the amalgamation.

“1029.8.36.72.65. Where the rules in sections 556 to 564.1 and 565 apply to the winding-up of a subsidiary, within the meaning of section 556, and the parent corporation, within the meaning of section 556, carries on after the winding-up a business carried on before the winding-up by the subsidiary, the parent corporation and the subsidiary are deemed, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which the calendar year in which the winding-up occurred ends and for a subsequent taxation year, to be

the same corporation throughout the period during which the subsidiary carried on, or is deemed to have carried on under this division, the business.

In addition, for the purposes of this division, where the parent corporation carried on after the winding-up a recognized business resulting from the consolidation of a recognized business carried on by the parent corporation immediately before the winding-up and a recognized business carried on by the subsidiary immediately before the winding-up, each recognized business so carried on before the winding-up is deemed to be a separate recognized business carried on by the parent corporation after the winding-up.”

(2) Subsection 1 has effect from 1 January 2002.

403. (1) Section 1029.8.36.72.66 of the said Act is amended

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

“1029.8.36.72.66. Subject to sections 1029.8.36.72.64 and 1029.8.36.72.65, where, at a particular time in a particular calendar year, the activities carried on by a person or partnership, in this section referred to as the “vendor”, in relation to a recognized business or a business the activities of which are described in paragraph *a* or *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, diminish or cease and it may reasonably be considered that, as a result, another person or partnership, in this section referred to as the “purchaser”, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply, subject to the third and fourth paragraphs, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division, in relation to a particular recognized business, for the taxation year in which the particular calendar year ends and for the taxation year in which a subsequent calendar year ends:

(*a*) if the particular recognized business is a business of the vendor,

i. the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, for which the employee is an eligible employee, is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$A \times D \times E$, and

ii. the base amount of the vendor, in relation to the particular recognized business, is deemed to be equal to the amount by which that amount otherwise determined without reference to subparagraph i, exceeds the amount determined by the formula

$B \times D \times E$;

(b) if the vendor was not carrying on a recognized business before the particular time and the particular recognized business is a business of a corporation that is associated with the vendor at the end of the particular calendar year, the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.58, in subparagraph ii of paragraph *c* of section 1029.8.36.72.59, in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.62.1 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.61.3, as the case may be, determined in respect of the vendor, is deemed to be equal to the amount by which the amount determined without reference to this subparagraph, exceeds the amount determined by the formula

$$C \times D \times E;$$

(c) if the particular recognized business is a business of the purchaser, the purchaser is deemed

i. to have paid in respect of the purchaser's base period, in relation to the particular recognized business, to employees referred to in subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.57, in subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.58, in subparagraph ii of paragraph *a* of section 1029.8.36.72.59, in subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.61.1, in subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.61.2 or in subparagraph ii of paragraph *a* of section 1029.8.36.72.61.3, as the case may be, the amount that is the proportion of the aggregate, in subparagraph ii referred to as the "particular aggregate", of all amounts each of which is the salary or wages paid by the purchaser to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, in relation to the particular recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities,

ii. to have paid to employees in respect of a pay period, within the particular calendar year, for which the employees are eligible employees, in relation to the particular recognized business, the amount by which the amount determined pursuant to subparagraph i, in relation to the particular recognized business, exceeds the amount of the particular aggregate determined in relation to the particular recognized business,

iii. to have a base amount, in relation to the particular recognized business, equal to the aggregate of

(1) the purchaser's base amount, otherwise determined without reference to subparagraph i, in relation to the particular recognized business, and

(2) the amount that is the proportion of the aggregate, in subparagraph 2 of subparagraph iv referred to as the “particular aggregate”, of all amounts each of which is the salary or wages paid by the purchaser to an employee, after the particular time, in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee or the salary or wages of an employee who reports for work at an establishment of the purchaser situated in Québec but outside an eligible site or the Québec area, according to whether the particular recognized business is described in paragraph *a* or *b*, respectively, of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, other than an excluded employee of the purchaser, paid by the purchaser, after the particular time, in respect of a pay period, within the particular calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in the course of the business in an establishment of the purchaser situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the purchaser that are described in that paragraph *a* or *b*, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 2, in relation to another recognized business, and

iv. to have an eligible amount for the particular calendar year, in relation to the particular recognized business, equal to the aggregate of

(1) the purchaser’s eligible amount for the particular calendar year, otherwise determined without reference to subparagraph ii, in relation to the particular recognized business, and

(2) the amount by which the amount determined pursuant to subparagraph 2 of subparagraph iii, in relation to the particular recognized business, exceeds the amount of the particular aggregate, in relation to the particular recognized business; and

(*d*) if the purchaser is not carrying on a recognized business after the particular time and the particular recognized business is a business of a corporation that is associated with the purchaser at the end of the particular calendar year, the purchaser is deemed to have paid

i. in respect of the base period, in relation to the particular recognized business, the amount that is the proportion of the aggregate, in subparagraph ii referred to as the “particular aggregate”, of all amounts each of which is the salary or wages of an employee who reports for work at an establishment of the purchaser situated in Québec, other than an excluded employee of the purchaser, paid by the purchaser, after the particular time, in respect of a pay period of the particular calendar year where the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in the

course of the business in an establishment of the purchaser situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the purchaser that are described in paragraph *a* or *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, according to whether the activities of that particular recognized business are described in that paragraph *a* or *b*, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph, in relation to another recognized business, and

ii. in respect of the particular calendar year, the amount by which the amount determined in accordance with subparagraph i, in relation to the particular recognized business, exceeds the particular aggregate, in relation to the particular recognized business.”;

(2) by replacing subparagraphs *a* to *d* of the second paragraph by the following subparagraphs:

“(a) A is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, for which the employee is an eligible employee;

“(b) B is the aggregate of all amounts each of which is

i. the salary or wages paid by the vendor to an employee in the course of carrying on the particular recognized business, in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, for which the employee is an eligible employee, or

ii. the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec but outside an eligible site or the Québec area, according to whether the recognized business is described in paragraph *a* or *b*, respectively, of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, other than an excluded employee of the corporation, paid by the vendor, in the course of carrying on any business in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the vendor that are described in that paragraph *a* or *b*, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another recognized business;

“(c) C is the aggregate of all amounts each of which is the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, other than an excluded employee of the vendor, paid by the vendor in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the vendor that are described in paragraph *a* or *b* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.56, according to whether the activities of that particular recognized business are described in that paragraph *a* or *b*, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another recognized business;

“(d) D is the proportion that the number of the vendor’s employees referred to in any of subparagraphs *a* to *c*, as the case may be, who were assigned to the carrying on of part of the activities that diminished or ceased at the particular time is of the number of the vendor’s employees assigned to those activities immediately before the particular time; and”;

(3) by adding the following subparagraph after subparagraph *d* of the second paragraph:

“(e) E is, where this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year, the proportion that the number of days in the particular calendar year following the particular time is of 365, and, in any other case, 1.”;

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

“Where a particular corporation is, at a particular time in a calendar year, a purchaser in relation to activities carried on by a person or partnership and, at a subsequent time in the same calendar year, the particular corporation is a vendor in relation to part of those activities, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division, the particular corporation is deemed not to have paid to its employees the portion of the salaries or wages that may reasonably be considered to have been paid to the employees of the corporation assigned to the part of the activities that the particular corporation ceases to carry on after the subsequent time.”

(2) Subsection 1 has effect from 1 January 2002. However, where section 1029.8.36.72.66 of the said Act applies before 1 January 2003, it shall be read with the reference to “pay”, wherever it appears, struck out.

404. (1) Section 1029.8.36.72.67 of the said Act is replaced by the following section:

“1029.8.36.72.67. For the purposes of this division, where a corporation has received, is entitled to receive or may reasonably expect to receive non-government assistance, or where a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, in respect of a taxation year or fiscal period in which the base period of a particular corporation in relation to a recognized business it carries on ends, and where it may reasonably be considered that the main reason for the assistance or the benefit or advantage is to reduce, in accordance with subparagraph i or iii of subparagraph *a* or *b* of the first paragraph of section 1029.8.36.72.62, the amount of the salaries or wages paid by the particular corporation or a corporation associated with the particular corporation, in respect of the base period, in relation to the recognized business, so as to cause the particular corporation to be deemed to have paid an amount to the Minister under this division for a taxation year or to increase an amount that the particular corporation is deemed to have paid to the Minister under this division for a taxation year, the amount of the assistance or of the benefit or advantage is deemed to be equal to zero.”

(2) Subsection 1 has effect from 1 January 2002.

405. Section 1029.8.36.72.68 of the said Act is amended by striking out “to be” before “associated”.

406. (1) Section 1029.8.36.72.70 of the said Act is amended

(1) by replacing the definition of “eligible employee” in the first paragraph by the following definition:

““eligible employee” of a corporation for a period within a calendar year, in relation to a recognized business of the corporation, means an employee who, during that period, reports for work at an establishment of the corporation situated in an eligible region and who, throughout that period, spends, when at work, at least 75% of the time undertaking, supervising or supporting, in the course of the carrying on by the corporation of the recognized business or another recognized business of the corporation in the year, work that is directly related to activities described in any of paragraphs *a* to *h* of the definition of “recognized business” and in the qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of such a recognized business;”;

(2) by replacing subparagraph i of paragraph *a* of the definition of “recognized business” in the first paragraph by the following subparagraph:

“i. finished or semi-finished products using wood, metals, non-metallic minerals, peat, slate, gemstones or semi-precious stones;”;

(3) by adding the following subparagraph after subparagraph ii of paragraph *a* of the definition of “recognized business” in the first paragraph:

“iii. crate components;”;

(4) by replacing subparagraphs i and ii of paragraph *b* of the definition of “base amount” in the first paragraph by the following subparagraphs:

“i. the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, that were paid by the corporation in the course of carrying on the particular recognized business, in respect of a period within its base period, in relation to the particular recognized business for which the employee was an eligible employee of the corporation or would have been an eligible employee of the corporation if the establishment where the employee so reported had been situated in an eligible region, or

“ii. the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, that were paid by the corporation in the course of carrying on any given business that is not a recognized business, in respect of a period within its base period, in relation to the particular recognized business for which the employee would have been an eligible employee of the corporation if the given business had been a recognized business of the corporation and if, in the event that the establishment of the corporation where the employee so reported for work was not situated in an eligible region, the establishment where the employee so reported had been situated in an eligible region, unless an amount is included, in respect of the employee, in relation to the given business, in computing the base amount of the corporation in relation to another recognized business;”;

(5) by replacing the definition of “eligibility period” in the first paragraph by the following definition:

““eligibility period” of a corporation, in relation to a recognized business, means, subject to the second paragraph, the period that begins on 1 January of the first calendar year in respect of which the corporation obtains its qualification certificate in relation to the recognized business and that ends on 31 December 2002;”;

(6) by striking out “, with reference to the second paragraph of that section,” wherever it appears in the portion of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph ii;

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

“For the purposes of the definition of “recognized business” in the first paragraph,

(a) the following activities do not constitute activities of a recognized business:

i. activities of any of the businesses described in the definition of “recognized business” in the first paragraph of section 1029.8.36.72.15,

ii. activities of any of the businesses described in paragraphs *a* to *f* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.43,

iii. food manufacturing or processing activities carried on in restaurants, hotels, shopping centres, supermarkets, grocery stores or other similar establishments,

iv. manufacturing or processing activities carried on outside an eligible region,

v. activities relating to pulp, paper or paperboard manufacturing,

vi. activities relating to primary processing of metals, and

vii. activities relating to the sawing of logs and bolts to produce structural timber or similar products; and

(b) the installation by a corporation of a product or specialized equipment referred to in the definition of “recognized business” constitutes an activity of a recognized business, where the product or specialized equipment is the result of the manufacturing activity carried on by the corporation or a corporation with which it is associated.”;

(8) by replacing the sixth paragraph by the following paragraph:

“Investissement Québec may, at the request of a corporation, cancel, in the circumstances and on the conditions it determines, a qualification certificate issued to the corporation, in relation to a recognized business. The certificate so cancelled is not a revoked certificate for the purposes of Part III.10.1.7.”

(2) Paragraphs 1 and 4 of subsection 1 have effect from 1 January 2001.

(3) Paragraphs 2, 3 and 5 to 7 of subsection 1 have effect from 1 January 2002.

(4) Paragraph 8 of subsection 1 applies in respect of requests for the cancellation of qualification certificates relating to the calendar year 2002.

407. (1) Section 1029.8.36.72.72 of the said Act is amended, in the first paragraph,

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

“ii. the amount by which the aggregate of all amounts each of which is the qualified corporation’s eligible amount for the calendar year or the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a period, within the calendar year, for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in an eligible region, the establishment where the employee reported for work had been situated in an eligible region, exceeds the total of”;

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

“(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a period, within the qualified corporation’s base period in relation to a recognized business it carries on in the calendar year, for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in an eligible region, the establishment where the employee reported for work had been situated in an eligible region, unless an amount is included, in respect of the employee, in relation to the other corporation, in computing the amount determined for the calendar year under this subparagraph 2 in relation to another recognized business, and”.

(2) Subsection 1 has effect from 1 January 2001.

408. (1) Section 1029.8.36.72.73 of the said Act is amended, in the first paragraph,

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

“(c) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, or the salary or wages paid by another qualified corporation that is associated with a qualified

corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a period, within the calendar year, for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in an eligible region, the establishment where the employee reported for work had been situated in an eligible region, exceeds the total of”;

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

“ii. the aggregate of all amounts each of which is the salary or wages paid by another qualified corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid by the other corporation in respect of a period, within the base period of a qualified corporation that is a member of the group at the end of the calendar year in relation to a recognized business it carries on in the calendar year, for which the employee would have been an eligible employee of the qualified corporation if the employee had been an employee of the qualified corporation, if a business carried on by the other corporation had been a recognized business carried on by the qualified corporation and if, in the event that the establishment of the other corporation where the employee reported for work was not situated in an eligible region, the establishment where the employee reported for work had been situated in an eligible region, unless an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a period within a base period in relation to another recognized business carried on by a qualified corporation that is a member of the group of associated corporations.”

(2) Subsection 1 has effect from 1 January 2001.

409. Section 1029.8.36.72.74 of the said Act is replaced by the following section:

“1029.8.36.72.74. Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.72.73, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section

1029.8.36.72.72, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.”

410. (1) Section 1029.8.36.72.76 of the said Act is amended by inserting “, pursuant to a legal obligation,” after “qualified corporation” in the portion before paragraph *a*.

(2) Subsection 1 has effect from 1 January 2001.

411. (1) Section 1029.8.36.72.79 of the said Act is amended by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(b) B is the aggregate of all amounts each of which is the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec that the vendor paid in respect of a period, within the base period, in relation to the particular recognized business, for which the employee was an eligible employee of the vendor or would have been an eligible employee of the vendor if the employee’s work had been related to activities of a recognized business of the vendor or if, in the event that the establishment of the vendor where the employee so reported for work was not situated in an eligible region, the establishment where the employee reported had been situated in an eligible region, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another recognized business;”.

(2) Subsection 1 has effect from 1 January 2001.

412. (1) The said Act is amended by inserting the following after section 1029.8.36.72.82:

“DIVISION II.6.6.6.1

**“CREDIT FOR JOB CREATION IN THE RESOURCE REGIONS,
IN THE ALUMINUM VALLEY AND IN THE GASPÉSIE AND
CERTAIN MARITIME REGIONS OF QUÉBEC**

“§1. — *Definitions and general*

“1029.8.36.72.82.1. In this division,

“base amount” of a corporation means

(a) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business; and

(b) in any other case, the aggregate of all amounts each of which is

i. the salary or wages that were paid by the corporation to an employee in respect of a pay period, within its base period, for which the employee is an eligible employee, or

ii. the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec but outside a designated region of the corporation, that were paid by the corporation in respect of a pay period, within its base period, throughout which the employee spends when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business;

“base period” of a corporation means the calendar year preceding the calendar year in which the eligibility period of the corporation begins;

“designated region” of a corporation means the Saguenay–Lac-Saint-Jean region, the eligible region or the resource region where it carries on a recognized business;

“eligibility period” of a corporation means, subject to the third and fourth paragraphs, the period that begins on 1 January of the first calendar year, in this definition referred to as the “particular calendar year”, preceding the calendar year 2008, that is referred to in the first unrevoked qualification certificate issued to the corporation or deemed obtained by it, in relation to a recognized business, for the purposes of this division or any of Divisions II.6.6.2, II.6.6.4 and II.6.6.6 and that includes the number of calendar years that is the number by which 5 exceeds the number of calendar years preceding the particular calendar year in respect of which the corporation is deemed to have paid an amount to the Minister for the purposes of this division or any of Divisions II.6.6.2, II.6.6.4 and II.6.6.6, or would have been so deemed to have paid an amount to the Minister if, where Investissement Québec has not issued, in respect of a calendar year, any certificate to the qualified corporation, in relation to a recognized business, otherwise than because of a major unforeseen event affecting the corporation, Investissement Québec had issued such a certificate to the qualified corporation, in relation to the recognized business, and if the amount determined in accordance with subparagraph *a* of the first paragraph of any of sections 1029.8.36.72.15, 1029.8.36.72.16, 1029.8.36.72.44, 1029.8.36.72.45, 1029.8.36.72.71, 1029.8.36.72.72, 1029.8.36.72.82.2 and 1029.8.36.72.82.3, as the case may be, had been greater than 0;

“eligible amount” of a corporation for a calendar year means the aggregate of all amounts each of which is

(a) the salary or wages paid by the corporation to an employee in respect of a pay period, within the year, for which the employee is an eligible employee; or

(b) the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, other than an employee referred to in paragraph *a*, that were paid by the corporation in respect of a pay period, within the year, throughout which the employee spends, when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business;

“eligible employee” of a corporation, for a pay period within a calendar year, means an employee in respect of whom a qualification certificate is issued to the corporation for the year by Investissement Québec for the purposes of this division, certifying that the employee is an eligible employee of the corporation for the pay period;

“eligible region” means

(a) in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the processing of marine products, or activities related to such processing activities, the Municipalité régionale de comté de Matane or one of the administrative regions referred to in subparagraphs ii and iii of paragraph *b* and described in the Order in Council, as amended, referred to in that paragraph *b*;

(b) in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the manufacturing or processing of finished or semi-finished products in the field of marine biotechnology, or activities related to such manufacturing or processing activities, one of the following administrative regions described in Order in Council 2000-87 dated 22 December 1987 concerning the revision of the boundaries of the administrative regions of Québec, as amended:

- i. administrative region 01 Bas-Saint-Laurent,
- ii. administrative region 09 Côte-Nord, or
- iii. administrative region 11 Gaspésie–Îles-de-la-Madeleine;

(c) in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the manufacturing of wind turbines or specialized equipment for the production of wind power, the production of wind power or activities related to such manufacturing or production activities, the Municipalité régionale de comté

de Matane or the administrative region referred to in subparagraph iii of paragraph *b* and described in the Order in Council, as amended, referred to in that paragraph *b*; and

(*d*) in respect of a recognized business whose activities described in a qualification certificate issued for the purposes of this division are the mariculture, the manufacturing of specialized equipment for mariculture or activities related to such mariculture activities or such manufacturing of specialized equipment, one of the administrative regions referred to in subparagraphs ii and iii of paragraph *b* and described in the Order in Council, as amended, referred to in that paragraph *b*;

“eligible repayment of assistance” for a taxation year of a qualified corporation means the aggregate of

(*a*) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.21 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.16 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.16 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph or subparagraph ii of paragraph *a* of the definition of “eligible repayment of assistance” in the first paragraph of section 1029.8.36.72.15, in relation to a repayment of assistance;

(*b*) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.21 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.17 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business in the Saguenay–Lac-Saint-Jean region for its taxation year in which the preceding calendar year ended, the amount by

which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *b* of the definition of “eligible repayment of assistance” in the first paragraph of section 1029.8.36.72.15, in relation to a repayment of assistance;

(*c*) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.21 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.18 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.18 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.18 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.17 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph of section 1029.8.36.72.15, in relation to a repayment of assistance;

(*d*) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.48 that reduced the amount of the salary or

wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.44 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.44 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph or subparagraph ii of paragraph *a* of the definition of “eligible repayment of assistance” in the first paragraph of section 1029.8.36.72.43, in relation to a repayment of assistance;

(*e*) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.48 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.45 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business in an eligible region for its taxation year in which the preceding calendar year ended, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *b* of the definition of “eligible repayment of assistance” in the first paragraph of section 1029.8.36.72.43, in relation to a repayment of assistance;

(*f*) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.48 that reduced

the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.46 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.46 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.46 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.45 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph of section 1029.8.36.72.43, in relation to a repayment of assistance;

(g) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.75 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.71 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.71 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph or subparagraph ii of paragraph *a* of the definition of “eligible repayment of assistance” in the first paragraph of section 1029.8.36.72.70, in relation to a repayment of assistance;

(h) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.75 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.72 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business in a resource region for its taxation year in which the preceding calendar year ended, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *b* of the definition of “eligible repayment of assistance” in the first paragraph of section 1029.8.36.72.70, in relation to a repayment of assistance;

(i) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.72.75 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.73 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.73 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.73 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.72 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph or subparagraph ii of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph of section 1029.8.36.72.70, in relation to a repayment of assistance;

(*j*) where the qualified corporation pays in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2 that relates to a calendar year preceding the calendar year ending in the taxation year, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the qualified corporation, in respect of such an amount of assistance, as repayment in the taxation year or a preceding taxation year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a taxation year preceding the taxation year under this paragraph in relation to a repayment of assistance;

(*k*) where a corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the corporation to an employee, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 that relates to a calendar year preceding the calendar year in relation to the qualified corporation at the end of which the qualified corporation was not associated with any other qualified corporation that was carrying on a recognized business for its taxation year in which the preceding calendar year ended, the amount by which the amount that would have been determined under that subparagraph *a* in respect of the qualified corporation in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance; and

(l) where a qualified corporation pays in a calendar year ending in the taxation year, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of assistance referred to in subparagraph i of subparagraph b of the first paragraph of section 1029.8.36.72.82.6 that reduced the amount of the salary or wages paid by the qualified corporation to an employee, for the purpose of computing the excess amount referred to in paragraph a or c of section 1029.8.36.72.82.4 determined, in respect of a calendar year preceding the calendar year, in relation to all of the corporations that were associated with each other at the end of that preceding calendar year and with which the qualified corporation was associated at that time, the amount by which the amount that would have been determined under subparagraph a of the first paragraph of section 1029.8.36.72.82.3 in respect of the qualified corporation in relation to the preceding calendar year if, for the purposes of paragraph a or c of section 1029.8.36.72.82.4 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the calendar year or a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.82.4 had been attributed to a qualified corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, exceeds the aggregate of

i. the amount determined under subparagraph a of the first paragraph of section 1029.8.36.72.82.3 in respect of the qualified corporation in relation to the preceding calendar year, and

ii. the aggregate of all amounts determined for a calendar year preceding the calendar year under this paragraph in relation to a repayment of assistance;

“qualified corporation”, for a calendar year, means a corporation that, in the year, carries on a qualified business in Québec and has an establishment in Québec, but does not include

(a) a corporation that is exempt from tax under Book VIII for the taxation year in which the calendar year ends; or

(b) a corporation that would be exempt from tax for the taxation year in which the calendar year ends under section 985 but for section 192;

“recognized business” of a corporation means a business carried on in a calendar year by the corporation in a designated region and in respect of which a qualification certificate is issued for the year by Investissement Québec for the purposes of this division;

“resource region” means

(a) one of the following administrative regions described in Order in Council 2000-87 dated 22 December 1987 concerning the revision of the boundaries of the administrative regions of Québec, as amended:

- i. administrative region 01 Bas-Saint-Laurent,
- ii. administrative region 02 Saguenay–Lac-Saint-Jean,
- iii. administrative region 04 Mauricie,
- iv. administrative region 08 Abitibi-Témiscamingue,
- v. administrative region 09 Côte-Nord,
- vi. administrative region 10 Nord-du-Québec, or
- vii. administrative region 11 Gaspésie-Îles-de-la-Madeleine; or

(b) one of the following regional county municipalities:

- i. Municipalité régionale de comté d'Antoine-Labelle,
- ii. Municipalité régionale de comté de La Vallée-de-la-Gatineau, or
- iii. Municipalité régionale de comté de Pontiac;

“Saguenay–Lac-Saint-Jean region” means the administrative region 02 Saguenay–Lac-Saint-Jean described in Order in Council 2000-87 dated 22 December 1987 concerning the revision of the boundaries of the administrative regions of Québec, as amended;

“salary or wages” means the income computed pursuant to Chapters I and II of Title II of Book III, but does not include directors' fees, premiums, incentive bonuses, compensation for hours worked in addition to normal working hours, commissions or benefits referred to in Division II of Chapter II of Title II of Book III.

For the purposes of this division,

(a) where, during a pay period within a calendar year, an employee reports for work at an establishment of a qualified corporation situated in a designated region of the corporation and at an establishment of the qualified corporation situated outside the designated region, the employee is, for that period, deemed,

- i. except if subparagraph ii applies, to report for work only at the establishment situated in the designated region, or

ii. to report for work only at the establishment situated outside the designated region if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside the designated region;

(b) where, during a pay period within a calendar year, an employee reports for work at an establishment of a qualified corporation situated in Québec and at an establishment of the qualified corporation situated outside Québec, the employee is, for that period, deemed,

i. except if subparagraph ii applies, to report for work only at the establishment situated in Québec, or

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the qualified corporation situated outside Québec; and

(c) where, during a pay period within a calendar year, an employee is not required to report for work at an establishment of a qualified corporation and the employee's salary or wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

Except where section 1029.8.36.72.82.8 or 1029.8.36.72.82.9 applies, where, in a taxation year, a corporation carries on a business in respect of which a qualification certificate has been issued by Investissement Québec and, in the opinion of Investissement Québec, the business is the continuation of a recognized business or part of a recognized business previously carried on by another corporation, the corporation is deemed, for the purposes of the definition of "eligibility period" in the first paragraph, to have obtained the qualification certificate, in relation to the business or part of the business, on the date on which the other corporation obtained its qualification certificate, in relation to the recognized business, for the purposes of this division or of any of Divisions II.6.6.2, II.6.6.4 and II.6.6.6, as the case may be.

Where Investissement Québec does not issue in the eligibility period of a corporation, in relation to a particular calendar year, a qualification certificate in respect of a recognized business, because of a major unforeseen event affecting the corporation, any qualification certificate issued to the corporation, in relation to the recognized business, in respect of a calendar year preceding the particular calendar year, for the purposes of this division or of any of Divisions II.6.6.2, II.6.6.4 and II.6.6.6, is deemed cancelled, for the purpose of determining the eligibility period of the corporation from the calendar year in respect of which a new certificate is issued, in respect of the recognized business.

For the purposes of this division, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

“§2. — *Credits*

“**1029.8.36.72.82.2.** A qualified corporation that is not associated with any other corporation at the end of a calendar year within the qualified corporation’s eligibility period and that encloses the documents referred to in the fourth paragraph with the fiscal return the qualified corporation is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the third paragraph, to have paid to the Minister on the qualified corporation’s balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal to 35%, where the calendar year is the year 2003, and to 30% for any subsequent calendar year, of the aggregate of

(a) the lesser of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, within the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, within its base period, for which the employee is an eligible employee, and

ii. the amount by which the qualified corporation’s eligible amount for the calendar year exceeds the qualified corporation’s base amount; and

(b) the eligible repayment of assistance by the qualified corporation for the taxation year.

Where the first paragraph applies to the taxation year that includes the end of the calendar year 2003 and the corporation’s base period is the calendar year 2001, the following rules apply:

(a) the amount determined in accordance with subparagraph 2 of subparagraph i of subparagraph a of the first paragraph, in respect of the corporation, is deemed to be equal to 90% of that amount otherwise determined; and

(b) the corporation’s base amount is deemed to be equal to 90% of that amount otherwise determined.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable under this Part, for a particular taxation year that is subsequent to the first taxation year in which the first calendar year within the qualified corporation's eligibility period ends, and of its tax payable for the particular taxation year under Parts IV, 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 particular amount that is the lesser of the amount determined under the first paragraph for the taxation year preceding the particular taxation year and the amount determined under that paragraph for the particular taxation year exceeds the aggregate of all amounts each of which is the portion of the particular amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular taxation 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 this division, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(*a*) the prescribed form containing the prescribed information; and

(*b*) a copy of all unrevoked certificates and qualification certificates issued to the qualified corporation for the year in respect of a recognized business and its eligible employees.

“1029.8.36.72.82.3. A qualified corporation that is associated with one or more other corporations at the end of a calendar year within the qualified corporation's eligibility period and that encloses the documents referred to in the fourth paragraph with the fiscal return the qualified corporation is required to file under section 1000 for the taxation year in which the calendar year ends, is deemed, subject to the third paragraph, to have paid to the Minister on the qualified corporation's balance-due day for that taxation year, on account of its tax payable for that taxation year under this Part, an amount equal to 35%, where the calendar year is the year 2003, and to 30% for any subsequent calendar year, of the aggregate of

(*a*) subject to the second paragraph, the least of

i. the amount by which the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, within the calendar year, for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is,

(1) except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in its base period, the corporation carried on a business in Québec in the sectors of activity described in a qualification certificate issued, for the purposes of this division, to the corporation for the year in respect of a recognized business, and

(2) in any other case, the aggregate of all amounts each of which is the salary or wages that were paid by the corporation to an employee in respect of a pay period, within its base period, for which the employee is an eligible employee,

ii. the amount by which the aggregate of all amounts each of which is the qualified corporation's eligible amount for the calendar year or the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the calendar year, throughout which the employee spends, when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, exceeds the total of

(1) the qualified corporation's base amount, and

(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of the calendar year to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the qualified corporation's base period, throughout which the employee spends, when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, and

iii. the amount by which the qualified corporation's eligible amount for the calendar year exceeds the qualified corporation's base amount; and

(b) the eligible repayment of assistance by the qualified corporation for the taxation year.

Where the qualified corporation referred to in the first paragraph is associated, at the end of the calendar year, with at least one other qualified corporation carrying on a recognized business in the taxation year in which the calendar

year ends, the amount determined under subparagraph *a* of that first paragraph, in respect of the calendar year, shall not exceed the amount that is attributed to it in respect of the calendar year pursuant to the agreement referred to in section 1029.8.36.72.82.4.

Where the first paragraph applies to the taxation year that includes the end of the calendar year 2003 and the qualified corporation's base period is the calendar year 2001, the following rules apply:

(*a*) the amount determined in accordance with subparagraph 2 of subparagraph *i* of subparagraph *a* of the first paragraph or subparagraph 2 of subparagraph *ii* of that subparagraph *a*, in respect of the qualified corporation, is deemed to be equal to 90% of that amount otherwise determined; and

(*b*) the qualified corporation's base amount is deemed to be equal to 90% of that amount otherwise determined.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable under this Part, for a particular taxation year that is subsequent to the first taxation year in which the first calendar year within the qualified corporation's eligibility period ends, and of its tax payable for the particular taxation year under Parts IV, 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 particular amount that is the lesser of the amount determined under the first paragraph for the taxation year preceding the particular taxation year and the amount determined under that paragraph for the particular taxation year exceeds the aggregate of all amounts each of which is the portion of the particular amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular taxation 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 this division, to have been paid to the Minister on that date, for the purpose of computing that payment.

The documents to which the first paragraph refers are the following:

(*a*) the prescribed form containing the prescribed information;

(*b*) a copy of all unrevoked certificates and qualification certificates issued to the qualified corporation for the year in respect of a recognized business and its eligible employees; and

(c) where the second paragraph applies, the agreement referred to in section 1029.8.36.72.82.4 filed in prescribed form.

“1029.8.36.72.82.4. The agreement to which the second paragraph of section 1029.8.36.72.82.3 refers in respect of a calendar year means an agreement under which all of the qualified corporations carrying on, in the calendar year, a recognized business and that are associated with each other at the end of that calendar year, hereinafter called the “group of associated corporations”, attribute to one or more of their number, for the purposes of this division, one or more amounts; the aggregate of the amounts so attributed, for the calendar year, shall not be greater than the least of

(a) the amount by which the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, within the calendar year, for which the employee is an eligible employee of the corporation, exceeds the aggregate of all amounts each of which is,

i. except in respect of a corporation that results from an amalgamation, an amount equal to zero, where, at no time in the base period of a qualified corporation that is a member of the group of associated corporations, the corporation carried on a business in Québec the activities of which were described in a qualification certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, and

ii. in any other case, the aggregate of all amounts each of which is the salary or wages paid by a qualified corporation that is a member of the group of associated corporations to an employee in respect of a pay period, within its base period, for which the employee is an eligible employee of the qualified corporation;

(b) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations for the calendar year exceeds the aggregate of all amounts each of which is the base amount of such a corporation; and

(c) the amount by which the aggregate of all amounts each of which is the eligible amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, or the salary or wages paid by another corporation that is associated with a qualified corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the calendar year, throughout which the employee spends, when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in a qualification

certificate issued, for the purposes of this division, to the qualified corporation for the year in respect of a recognized business, exceeds the total of

i. the aggregate of all amounts each of which is the base amount of a qualified corporation that is a member of the group of associated corporations at the end of the calendar year, and

ii. the aggregate of all amounts each of which is the salary or wages paid by another corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid by the other corporation in respect of a pay period, within the base period of a qualified corporation that is a member of the group at the end of the calendar year, throughout which the employee spends, when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in a qualification certificate issued for the year, for the purposes of this division and in respect of a recognized business, to a qualified corporation that is a member of the group, except if an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a period within a base period in relation to another recognized business carried on by a qualified corporation that is a member of the group.

However, for the purposes of the first paragraph, where the calendar year referred to in the first paragraph is the calendar year 2003 and the base period of a qualified corporation that is a member of the group of associated corporations is the calendar year 2001, the following rules apply:

(a) the amount determined in accordance with subparagraph ii of subparagraph *a* or *c* of the first paragraph, in respect of the corporation, is deemed to be equal to 90% of the salary or wages otherwise determined; and

(b) the corporation's base amount is deemed to be equal to 90% of that amount otherwise determined.

“1029.8.36.72.82.5. Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under any of paragraphs *a* to *c* of section 1029.8.36.72.82.4, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.82.3, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.

“§3. — *Government assistance, non-government assistance and other particulars*

“**1029.8.36.72.82.6.** For the purpose of computing the amount that is deemed to have been paid to the Minister by a qualified corporation, for a particular taxation year, under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3, the following rules apply, subject to the second paragraph:

(a) the amount of the salaries or wages referred to in the definitions of “base amount” and “eligible amount” in the first paragraph of section 1029.8.36.72.82.1, in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2 or in subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 and paid by the qualified corporation, and the amount of the salaries or wages referred to in subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 and paid by a corporation associated with the qualified corporation shall be reduced, where applicable,

i. by the amount of any government assistance or non-government assistance attributable to the salaries or wages that the qualified corporation or the corporation associated with it, as the case may be, has received, is entitled to receive or may reasonably expect to receive, on or before the qualified corporation’s filing-due date for its taxation year, except any amount of government assistance that reduced the amount of the salaries or wages referred to in subparagraph ii,

ii. by the portion of such salaries or wages that may reasonably be considered to be included in computing an expenditure in respect of which the qualified corporation or the corporation associated with it, as the case may be, is deemed to have paid an amount to the Minister under this chapter for any taxation year, and

iii. by the amount of any benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, other than a benefit or advantage derived from the performance of the duties of an employee, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the qualified corporation’s filing-due date for its taxation year, to the extent that the benefit or advantage may reasonably be considered to be attributable, directly or indirectly, to part or all of the amount of the salaries or wages paid by the qualified corporation or the corporation associated with it, as the case may be; and

(b) the amount of the salaries or wages paid by a particular qualified corporation associated with one or more other qualified corporations, determined for the purpose of computing the amount that may be attributed, in respect of a calendar year, in accordance with section 1029.8.36.72.82.4 to one or more of their number, shall be reduced, where applicable,

i. by the amount of any government assistance or non-government assistance attributable to the salaries or wages that the particular qualified corporation has received, is entitled to receive or may reasonably expect to receive, on or before the qualified corporation's filing-due date for its taxation year, except any amount of government assistance that reduced the amount of the salaries or wages referred to in subparagraph ii,

ii. by the portion of such salaries or wages that may reasonably be considered to be included in computing an expenditure in respect of which the particular qualified corporation is deemed to have paid an amount to the Minister under this chapter for any taxation year, and

iii. by the amount of any benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, other than a benefit or advantage derived from the performance of the duties of an eligible employee, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the particular qualified corporation's filing-due date for its taxation year, to the extent that the benefit or advantage may reasonably be considered to be attributable, directly or indirectly, to part or all of the amount of the salaries or wages paid by the particular qualified corporation.

The aggregate of the amounts referred to in the first paragraph that reduced the amount of the salaries or wages that the qualified corporation or a corporation associated with it paid in respect of a pay period within the qualified corporation's base period, shall not exceed, for each of those corporations, the aggregate of the amounts referred to in the first paragraph that reduced the amount of the salaries or wages paid by the qualified corporation or the corporation associated with it, in respect of a pay period within the calendar year ending in the particular taxation year.

“1029.8.36.72.82.7. For the purposes of this division, an amount of assistance is deemed to be repaid in a calendar year by a qualified corporation, pursuant to a legal obligation, where that amount

(a) reduced the amount of salaries or wages for the purpose of computing,

i. in the case of assistance referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.6, the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2 or 1029.8.36.72.82.3, or

ii. in the case of assistance referred to in subparagraph *b* of the first paragraph of section 1029.8.36.72.82.6, the excess amount referred to in paragraph *a* or *c* of section 1029.8.36.72.82.4 determined, in respect of a calendar year, in relation to all of the qualified corporations that are associated with each other;

(b) was not received by the qualified corporation; and

(c) ceased in the calendar year to be an amount that the qualified corporation may reasonably expect to receive.

“1029.8.36.72.82.8.” Where a corporation, in this section referred to as the “new corporation”, resulting from the amalgamation, within the meaning of section 544, of two or more corporations, each of which referred to in this section as a “predecessor corporation”, carries on after the amalgamation a business carried on before the amalgamation by a predecessor corporation, the new corporation and the predecessor corporation are deemed, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for the taxation year in which the calendar year in which the amalgamation occurred ends and for a subsequent taxation year, to be the same corporation throughout the period during which the predecessor corporation carried on, or is deemed to have carried on under this division, the business.

“1029.8.36.72.82.9.” Where the rules in sections 556 to 564.1 and 565 apply to the winding-up of a subsidiary, within the meaning of section 556, and the parent corporation, within the meaning of section 556, carries on after the winding-up a business carried on before the winding-up by the subsidiary, the parent corporation and the subsidiary are deemed, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division for its taxation year in which the calendar year in which the winding-up occurred ends and for a subsequent taxation year, to be the same corporation throughout the period during which the subsidiary carried on, or is deemed to have carried on under this division, the business.

“1029.8.36.72.82.10.” Subject to sections 1029.8.36.72.82.8 and 1029.8.36.72.82.9, where, at a particular time in a particular calendar year, the activities carried on by a person or partnership, in this section referred to as the “vendor”, in relation to a recognized business or a business that could qualify as a recognized business if it were carried on in a designated region, diminish or cease and it may reasonably be considered that, as a result, another person or partnership, in this section referred to as the “purchaser”, begins, after the particular time, to carry on similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities carried on in the course of carrying on such a business, the following rules apply, subject to the third and fourth paragraphs, for the purpose of determining the amount that a particular corporation is deemed to have paid to the Minister under this division, for the taxation year in which the particular calendar year ends and for the taxation year in which a subsequent calendar year ends:

(a) if the particular corporation is the vendor,

i. the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor's base period, for which the employee is an eligible employee, is deemed to be equal to the amount by which that amount otherwise determined exceeds the amount determined by the formula

$$A \times D \times E, \text{ and}$$

ii. the base amount of the vendor is deemed to be equal to the amount by which that amount otherwise determined without reference to subparagraph i, exceeds the amount determined by the formula

$$B \times D \times E;$$

(b) if the vendor was not carrying on a recognized business before the particular time and the particular corporation is another corporation with which the vendor was associated at the end of the particular calendar year, the amount that is the aggregate referred to in subparagraph 2 of subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.82.4, as the case may be, determined in respect of the vendor, is deemed to be equal to the amount by which the amount determined without reference to this subparagraph exceeds the amount determined by the formula

$$C \times D \times E;$$

(c) if the particular corporation is the purchaser, the purchaser is deemed

i. to have paid in respect of the purchaser's base period to employees referred to in subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2, in subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 or in subparagraph ii of paragraph *a* of section 1029.8.36.72.82.4, the amount that is the proportion of the aggregate, in subparagraph ii referred to as the "particular aggregate", of all amounts each of which is the salary or wages paid by the purchaser to an employee in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities,

ii. to have paid to employees in respect of a pay period, within the particular calendar year, for which the employees are eligible employees, the amount by which the amount determined pursuant to subparagraph i exceeds the amount of the particular aggregate,

iii. to have a base amount equal to the aggregate of

(1) the purchaser's base amount, otherwise determined without reference to subparagraph i, and

(2) the amount that is the proportion of the aggregate, in subparagraph 2 of subparagraph iv referred to as the "particular aggregate", of all amounts each of which is the salary or wages that the purchaser paid to an employee, after the particular time, in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the purchaser situated in Québec but outside a designated region of the purchaser, that the purchaser paid after the particular time, in respect of a pay period within the particular calendar year throughout which the employee spends, when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the purchaser situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the purchaser that are described in a qualification certificate issued to the purchaser, for the purposes of this division, for the year in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 2, in relation to another recognized business, and

iv. to have an eligible amount for the particular calendar year equal to the aggregate of

(1) the purchaser's eligible amount for the particular calendar year, otherwise determined without reference to subparagraph ii, and

(2) the amount by which the amount determined pursuant to subparagraph 2 of subparagraph iii exceeds the amount of the particular aggregate; and

(d) if the purchaser does not carry on a recognized business after the particular time and the particular corporation is another corporation that is associated with the purchaser at the end of the particular calendar year, the purchaser is deemed to have paid

i. in respect of the base period of the particular corporation, the amount that is the proportion of the aggregate, in subparagraph ii referred to as the "particular aggregate", of all amounts each of which is the salary or wages of an employee who reports for work at an establishment of the purchaser situated in Québec, that the purchaser paid, after the particular time, in respect of a pay period, within the particular calendar year, throughout which the employee spends, when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the purchaser situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities

of the purchaser that are described in a qualification certificate that is issued for the year to the particular corporation, for the purposes of this division, in respect of a recognized business, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time and except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph, in relation to a recognized business carried on by a corporation other than the particular corporation, that 365 is of the number of days in the particular calendar year during which the purchaser carried on those activities, and

ii. in respect of the particular calendar year, the amount by which the amount determined pursuant to subparagraph i exceeds the amount of the particular aggregate.

In the formulas provided for in subparagraphs *a* and *b* of the first paragraph,

(*a*) *A* is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor's base period, for which the employee is an eligible employee;

(*b*) *B* is the aggregate of all amounts each of which is

i. the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor's base period, for which the employee is an eligible employee, or

ii. the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec but outside a designated region of the vendor, paid by the vendor in respect of a pay period, within the particular corporation's base period, throughout which the employee spends, when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the particular corporation for the year in respect of a recognized business, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another corporation that carries on a recognized business;

(*c*) *C* is the aggregate of all amounts each of which is the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, paid by the vendor in respect of a pay period, within the particular corporation's base period, throughout which the employee spends, when at work, at least 75% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the vendor that are described in a qualification certificate issued, for the purposes of this division, to the particular

corporation for the year in respect of a recognized business, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another corporation that carries on a recognized business;

(d) D is the proportion that the number of the vendor's employees referred to in any of subparagraphs *a* to *c*, as the case may be, who were assigned to the carrying on of part of the activities that diminished or ceased at the particular time is of the number of the vendor's employees assigned to those activities immediately before the particular time; and

(e) E is, where this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year, the proportion that the number of days in the particular calendar year following the particular time is of 365 and, in any other case, 1.

Where a particular corporation is, at any time in a calendar year, a purchaser in relation to activities carried on by a person or partnership and, at a subsequent time in the same calendar year, the particular corporation is a vendor in relation to all of those activities, this section does not apply to the particular corporation either as vendor or as purchaser in respect of the activities and, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division, the particular corporation is deemed to have paid, from that time to the subsequent time, no portion of the salaries or wages that may reasonably be considered to relate to the employees of the corporation assigned to the carrying on of the activities that ceased after the subsequent time.

Where a particular corporation is, at a particular time in a calendar year, a purchaser in relation to activities carried on by a person or partnership and, at a subsequent time in the same calendar year, the particular corporation is a vendor in relation to part of those activities, for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division, the particular corporation is deemed not to have paid to its employees the portion of the salaries or wages that may reasonably be considered to have been paid to the employees of the corporation assigned to the part of the activities that the particular corporation ceases to carry on after the subsequent time.

“1029.8.36.72.82.11. For the purposes of this division, where a corporation has received, is entitled to receive or may reasonably expect to receive non-government assistance, or where a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, in respect of a taxation year or fiscal period in which the base period of a particular corporation ends, and where it may reasonably be considered that the main reason for the assistance or the benefit or advantage is to reduce, in accordance

with subparagraph i or iii of subparagraph *a* or *b* of the first paragraph of section 1029.8.36.72.82.6, as the case may be, the amount of the salaries or wages paid by the particular corporation or a corporation that is associated with the particular corporation, in respect of the base period of the particular corporation, so as to cause the particular corporation to be deemed to have paid an amount to the Minister under this division for a taxation year or to increase an amount that the particular corporation is deemed to have paid to the Minister under this division for a taxation year, the amount of the assistance or of the benefit or advantage is deemed to be equal to zero.

“1029.8.36.72.82.12. Where it may reasonably be considered that one of the main reasons for the separate existence of two or more corporations in a calendar year is to cause a qualified corporation to be deemed to have paid an amount to the Minister under this division in respect of that year or to increase an amount that a qualified corporation is deemed to have paid to the Minister under this division in respect of that year, those corporations are deemed, for the purposes of this division, to be associated with each other at the end of the year.”

(2) Subsection 1 has effect from 1 January 2003.

413. (1) Section 1029.8.36.72.83 of the said Act is amended

(1) by replacing the definition of “eligible employee” in the first paragraph by the following definition:

““eligible employee” of a corporation for a pay period of a calendar year, in relation to a recognized business, means an employee, other than an excluded employee at any time in that period, in respect of whom a qualification certificate is issued to the corporation for the year by Investissement Québec for the purposes of this division, certifying that the employee is an eligible employee of the corporation for the pay period, in relation to the recognized business;”;

(2) by replacing paragraphs *a* and *b* of the definition of “eligible amount” in the first paragraph by the following paragraphs:

“(a) the salary or wages paid by the corporation to an employee in respect of a pay period, within the year, for which the employee is an eligible employee, in relation to a recognized business of the corporation; or

“(b) the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec, other than an employee referred to in paragraph *a* or an excluded employee of the corporation, that were paid by the corporation in respect of a pay period, within the year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates

attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in any of paragraphs *a* to *e* of the definition of “recognized business”;

(3) by replacing subparagraphs *i* and *ii* of paragraph *b* of the definition of “base amount” in the first paragraph by the following subparagraphs:

“*i.* the salary or wages that were paid by the corporation to an employee in the course of carrying on the particular recognized business, in respect of a pay period, within its base period, in relation to the particular recognized business, for which the employee is an eligible employee, or

“*ii.* the salary or wages of an employee who reports for work at an establishment of the corporation situated in Québec but outside an eligible site, other than an excluded employee of the corporation, that were paid by the corporation in the course of carrying on any given business in respect of a pay period, within its base period, in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the corporation that are described in any of paragraphs *a* to *e* of the definition of “recognized business”, except if an amount is included, in respect of the employee, in relation to the given business, in computing the base amount of the corporation in relation to another recognized business;”;

(4) by replacing the definition of “eligibility period” in the first paragraph by the following definition:

““eligibility period” of a corporation, in relation to a recognized business, means, subject to the second paragraph, the five-year period that begins on 1 January of the first calendar year, preceding the calendar year 2004, in respect of which the corporation obtains its qualification certificate, in relation to the recognized business;”;

(5) by striking out “, with reference to the second paragraph of that section,” wherever it appears in the portion of paragraph *c* of the definition of “eligible repayment of assistance” in the first paragraph before subparagraph *ii*;

(6) by adding the following paragraph after paragraph *b* of the definition of “qualified corporation” in the first paragraph:

“(c) a corporation control of which is acquired at any time after 11 June 2003 by a person or group of persons, unless acquiring control of the corporation

i. occurs before 1 July 2004 where Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

ii. is by a corporation carrying on at that time a recognized business, or by a group of persons all the members of which are corporations carrying on at that time a recognized business, or

iii. derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003;”;

(7) by inserting “pay” before “period within a” wherever it appears in the third paragraph.

(2) Paragraphs 1, 2 and 7 of subsection 1 have effect from 1 January 2003.

(3) Paragraphs 3 and 5 of subsection 1 have effect from 1 January 2002. However, where subparagraphs i and ii of paragraph *b* of the definition of “base amount” in the first paragraph of section 1029.8.36.72.83 of the said Act have effect before 1 January 2003, they shall be read with the reference to “pay” struck out.

(4) Paragraphs 4 and 6 of subsection 1 have effect from 12 June 2003.

414. (1) Section 1029.8.36.72.84 of the said Act is amended, in subparagraph *a* of the first paragraph:

(1) by replacing “period within the calendar year” in the portion of subparagraph i before subparagraph 1 by “pay period, within the calendar year;”;

(2) by replacing subparagraph 2 of subparagraph i by the following subparagraph:

“(2) in any other case, the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in respect of a pay period, within its base period, in relation to the recognized business, for which the employee is an eligible employee;”.

(2) Paragraph 1 of subsection 1 has effect from 1 January 2003.

(3) Paragraph 2 of subsection 1 has effect from 1 January 2002. However, where subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.84 of the said Act has effect before 1 January 2003, it shall be read with the reference to “pay” struck out.

415. (1) Section 1029.8.36.72.85 of the said Act is amended, in subparagraph *a* of the first paragraph:

(1) by replacing “period within the calendar year” by “pay period, within the calendar year,” in the following provisions:

- the portion of subparagraph i before subparagraph 1;
- the portion of subparagraph ii before subparagraph 1;

(2) by replacing subparagraph 2 of subparagraph i by the following subparagraph:

“(2) in any other case, the aggregate of all amounts each of which is the salary or wages paid by the corporation to an employee in respect of a pay period, within its base period, in relation to a recognized business, for which the employee is an eligible employee;”;

(3) by replacing subparagraph 2 of subparagraph ii by the following subparagraph:

“(2) the aggregate of all amounts each of which is the salary or wages paid by another corporation with which the qualified corporation is associated at the end of that calendar year to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid in respect of a pay period, within the base period of the qualified corporation, in relation to a recognized business it carries on in the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to the activities of the other corporation that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, except if an amount is included, in respect of the employee, in relation to the other corporation, in computing an amount determined for the calendar year under this subparagraph 2 in relation to another recognized business, and”.

(2) Paragraphs 1 and 3 of subsection 1 have effect from 1 January 2003.

(3) Paragraph 2 of subsection 1 has effect from 1 January 2002. However, where subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 1029.8.36.72.85 of the said Act has effect before 1 January 2003, it shall be read with the reference to “pay” struck out.

416. (1) Section 1029.8.36.72.86 of the said Act is amended

(1) by replacing “period within the calendar year” by “pay period, within the calendar year,” in the following provisions:

- the portion of paragraph *a* before subparagraph i;
- the portion of paragraph *c* before subparagraph i;

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

“ii. in any other case, the aggregate of all amounts each of which is the salary or wages paid by the qualified corporation to an employee in respect of a pay period, within its base period, in relation to a recognized business, for which the employee is an eligible employee of the qualified corporation;”;

(3) by replacing subparagraph ii of paragraph *c* by the following subparagraph:

“ii. the aggregate of all amounts each of which is the salary or wages paid by another qualified corporation that is associated with a corporation that is a member of the group at the end of the calendar year but that does not carry on a recognized business in the calendar year, to an employee who reports for work at an establishment of the other corporation situated in Québec, where the salary or wages are paid by the other corporation in respect of a pay period, within the base period of a qualified corporation that is a member of the group at the end of the calendar year in relation to a recognized business that the corporation carries on in the calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting in an establishment of the other corporation situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment, work that is directly related to activities of the other corporation that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, except if an amount is included, in respect of the employee, in computing an amount under this subparagraph, in relation to a period within a base period in relation to another recognized business that is carried on by a qualified corporation that is a member of the group of associated corporations.”

(2) Paragraphs 1 and 3 of subsection 1 have effect from 1 January 2003.

(3) Paragraph 2 of subsection 1 has effect from 1 January 2002. However, where subparagraph ii of paragraph *a* of section 1029.8.36.72.86 of the said Act has effect before 1 January 2003, it shall be read with the reference to “pay” struck out.

417. Section 1029.8.36.72.87 of the said Act is replaced by the following section:

“1029.8.36.72.87. Where the aggregate of the amounts attributed, in respect of a calendar year, in an agreement entered into with the qualified corporations carrying on, in that calendar year, a recognized business and that are associated with each other at the end of that calendar year exceeds the particular amount that is the lesser of the amounts determined for that calendar year in respect of those corporations under any of paragraphs *a* to *c* of section 1029.8.36.72.86, the amount attributed to each of the corporations for the calendar year is deemed, for the purposes of section 1029.8.36.72.85, to be equal to the proportion of the particular amount that the amount attributed for the calendar year to that corporation in the agreement is of the aggregate of all amounts attributed for the calendar year in the agreement.”

418. (1) Section 1029.8.36.72.88 of the said Act is amended by replacing the second paragraph by the following paragraph:

“The aggregate of the amounts referred to in the first paragraph that reduced the amount of the salaries or wages paid by the qualified corporation or a corporation associated with it in respect of a pay period, within the qualified corporation’s base period, in relation to a recognized business, shall not exceed, for each of those corporations, the aggregate of the amounts referred to in the first paragraph that reduced the amount of the salaries or wages paid by the qualified corporation or the corporation associated with it, in relation to the recognized business, in respect of a pay period within the calendar year ending in its particular taxation year.”

(2) Subsection 1 has effect from 1 January 2003.

419. (1) Section 1029.8.36.72.89 of the said Act is amended by inserting “, pursuant to a legal obligation,” after “qualified corporation” in the portion before paragraph *a*.

(2) Subsection 1 has effect from 1 January 2002.

420. (1) Section 1029.8.36.72.92 of the said 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 salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, for which the employee is an eligible employee, is deemed to be equal to the amount by which the amount otherwise determined exceeds the amount determined by the formula

$A \times D \times E$, and

“*ii.* the base amount of the vendor, in relation to the particular recognized business, is deemed to be equal to the amount by which the amount otherwise determined, without reference to subparagraph *i*, exceeds the amount determined by the formula

$B \times D \times E$ ”;

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

“(b) if the vendor was not carrying on a recognized business before the particular time and the particular recognized business is a business of a corporation that is associated with the vendor at the end of the particular calendar year, the amount that is the aggregate referred to in subparagraph 2 of

subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.72.85 or in subparagraph ii of paragraph *c* of section 1029.8.36.72.86, as the case may be, determined in respect of the vendor, is deemed to be equal to the amount by which the amount determined without reference to this subparagraph, exceeds the amount determined by the formula

$$C \times D \times E;$$

(3) by replacing “in respect of a period” by “in respect of a pay period” in the following provisions:

- subparagraphs i and ii of subparagraph *c* of the first paragraph;
- subparagraph i of subparagraph *d* of the first paragraph;

(4) by replacing subparagraphs 1 and 2 of subparagraph iii of subparagraph *c* of the first paragraph by the following subparagraphs:

“(1) the purchaser’s base amount otherwise determined without reference to subparagraph i, in relation to the particular recognized business, and

“(2) the amount that is the proportion of the aggregate, in subparagraph 2 of subparagraph iv referred to as the “particular aggregate”, of all amounts each of which is the salary or wages paid by the purchaser to an employee, after the particular time, in respect of a pay period, within the particular calendar year, for which the employee is an eligible employee, or the salary or wages of an employee who reports for work at an establishment of the purchaser situated in Québec but outside an eligible site, other than an excluded employee of the purchaser, that the purchaser paid, after the particular time, in respect of a pay period, within the particular calendar year, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in the course of the business in an establishment of the purchaser situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the purchaser that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, to the extent that the salary or wages may reasonably be considered to relate to the carrying on by the employee of the part of the activities that began or increased at the particular time, that 365 is of the number of days in the particular calendar year in which the purchaser carried on those activities, except if an amount is included, in respect of the employee, in relation to the purchaser, in computing an amount determined under this subparagraph 2, in relation to another recognized business, and”;

(5) by replacing subparagraph 1 of subparagraph iv of subparagraph *c* of the first paragraph by the following subparagraph:

“(1) the purchaser’s eligible amount for the particular calendar year otherwise determined without reference to subparagraph ii, in relation to the particular recognized business, and”;

(6) by replacing subparagraphs *a* to *d* of the second paragraph by the following subparagraphs:

“(a) A is the aggregate of all amounts each of which is the salary or wages paid by the vendor to an employee in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, for which the employee is an eligible employee;

“(b) B is the aggregate of all amounts each of which is

i. the salary or wages paid by the vendor to an employee in the course of carrying on the particular recognized business, in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, for which the employee is an eligible employee, or

ii. the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec but outside an eligible site, other than an excluded employee of the vendor, that the vendor paid in the course of carrying on any business in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, except if an amount is included, in respect of the employee, in relation to the vendor, in computing the amount determined under this subparagraph, in relation to another recognized business;

“(c) C is the aggregate of all amounts each of which is the salary or wages of an employee who reports for work at an establishment of the vendor situated in Québec, other than an excluded employee of the vendor, that the vendor paid in respect of a pay period, within the vendor’s base period, in relation to the particular recognized business, throughout which the employee spends, when at work, at least 90% of the time in undertaking, supervising or supporting, in an establishment of the vendor situated in Québec or elsewhere, but in connection with the mandates attributable to such an establishment situated in Québec, work that is directly related to the activities of the vendor that are described in any of paragraphs *a* to *e* of the definition of “recognized business” in the first paragraph of section 1029.8.36.72.83, except if an amount is included, in respect of the employee, in relation to the vendor, in computing an amount determined under this subparagraph, in relation to another recognized business;

“(d) D is the proportion that the number of the vendor’s employees referred to in any of subparagraphs *a* to *c*, as the case may be, who were assigned to the carrying on of part of the activities that diminished or ceased at the particular time is of the number of the vendor’s employees assigned to those activities immediately before the particular time; and”;

(7) by adding the following subparagraph after subparagraph *d* of the second paragraph:

“(e) E is, where this section applies for the purpose of determining the amount that a corporation is deemed to have paid to the Minister under this division in respect of the particular calendar year, the proportion that the number of days in the particular calendar year following the particular time is of 365, and, in any other case, 1.”

(2) Paragraphs 1, 2 and 4 to 7 of subsection 1 have effect from 1 January 2002. However, where the first and second paragraphs of section 1029.8.36.72.92 of the said Act apply before 1 January 2003, they shall be read with the reference to “pay”, wherever it appears, struck out.

(3) Paragraph 3 of subsection 1 has effect from 1 January 2003.

421. (1) Section 1029.8.36.102 of the said Act is amended

(1) by replacing paragraph *b* of the definition of “qualified solicitation expenditure” by the following paragraph:

“(b) is related to a solicitation activity directed at a person not resident in Canada and carried on by the corporation or partnership through an employee or, in the case of the partnership, an eligible member, and is

i. the employee’s or the eligible member’s travel expenses for travelling from Canada to another country or from a country other than Canada to Canada,

ii. the employee’s or the eligible member’s travel and accommodation expenses for the period in which the employee or the eligible member travels outside Canada and engages in the solicitation activity, or

iii. expenses related to food and beverages consumed during the period referred to in subparagraph ii by the employee or the eligible member or by the person, or by an employee or other representative of the person at whom the solicitation activity carried on by the employee or the eligible member is directed;”;

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

““eligible member” of a partnership means an individual who, but for the individual’s being a member of the partnership, could reasonably be regarded

as an employee of the partnership referred to in any of sections 14 to 16 of the Act respecting international financial centres (chapter C-8.3);”;

(3) by striking out “(chapter C-8.3)” in the portion of the definition of “qualified international financial transaction” before paragraph *a*.

(2) Paragraphs 1 and 2 of subsection 1 apply to taxation years that end after 23 June 1998. However, where the definition of “eligible member” in section 1029.8.36.102 of the said Act applies to taxation years that begin before 21 December 1999, the reference therein to “in any of sections 14 to 16 of the Act respecting international financial centres (chapter C-8.3)” shall be read as a reference to “in section 737.15 or 737.16.1 or the definition of “eligible specialist” in the first paragraph of section 1029.8.36.115”.

422. (1) Section 1029.8.36.120 of the said Act is amended

(1) by striking out “, except if it has been increased for a preceding taxation year in respect of the amount of the benefit or advantage,” in paragraph *a*;

(2) by striking out “, except if it has been increased for a preceding fiscal period in respect of the amount of the benefit or advantage,” in the portion of paragraph *b* before subparagraph *i*.

(2) Subsection 1 applies to taxation years that end after 30 December 1998.

423. (1) Section 1029.8.36.157 of the said Act is amended

(1) by replacing the definition of “qualified corporation” in the first paragraph by the following definition:

““qualified corporation” for a taxation year means, subject to section 1029.8.36.159, a corporation, other than an excluded corporation, that, in the year, carries on a business in Québec and has an establishment in Québec, and that holds, for the year, a certificate issued by the Minister of Finance certifying that, at any time in the year, a class of shares of its capital stock is listed, or is in the process of being listed, on a Canadian stock exchange or a foreign stock exchange and that, in the opinion of the Minister of Finance, the corporation’s connection with Québec is sufficiently strong, in particular because of its principal place of business or, where applicable, of the place where its investments projects are carried out;”;

(2) by striking out the fourth paragraph.

(2) Subsection 1 has effect from 20 March 2002.

424. (1) Section 1029.8.36.167 of the said Act is amended, in the first paragraph,

(1) by inserting “, other than those described in paragraph *a.1*,” after “Canadian exploration expense” in paragraph *a* of the definition of “eligible expenses”;

(2) by inserting the following paragraph after paragraph *a* of the definition of “eligible expenses”:

“(a.1) any Canadian exploration expense incurred after 20 August 2002 but before 1 January 2008 and that would be described in paragraph *c* of section 395 if the reference therein to “Canada” were a reference to “Québec, but outside the northern exploration zone” and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership’s fiscal period;”;

(3) by adding “whose taxation year is the partnership’s fiscal period” at the end of paragraph *b* of the definition of “eligible expenses”;

(4) by inserting “, other than those described in paragraph *c.1*,” after “Canadian exploration expense” in paragraph *c* of the definition of “eligible expenses”;

(5) by inserting the following paragraph after paragraph *c* of the definition of “eligible expenses”:

“(c.1) any Canadian exploration expense incurred after 20 August 2002 but before 1 January 2008 and that would be described in paragraph *c* of section 395 if the reference therein to “in Canada” were a reference to “in the northern exploration zone” and if, where the expense is incurred by the partnership, the partnership were deemed to be a taxpayer whose taxation year is the partnership’s fiscal period;”;

(6) by adding “whose taxation year is the partnership’s fiscal period” at the end of paragraphs *d* and *f* of the definition of “eligible expenses”;

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

““total taxes” of a corporation for a taxation year means the aggregate of

(a) its tax payable for the year under this Part; and

(b) its tax payable for the year under Part IV;

““unused portion of the refundable tax credit” of a corporation for a taxation year means the amount by which the total amount that the corporation would be deemed to have paid to the Minister for that year under subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168 to 1029.8.36.171 if the second paragraph of sections 1029.8.36.168 and 1029.8.36.169 and the third paragraph of sections 1029.8.36.170 and 1029.8.36.171 were not taken into

account exceeds the amount by which its total taxes for the year exceeds the amount it is deemed to have paid to the Minister for that year under section 1029.8.36.171.1.”

(2) Paragraphs 1, 2, 4, 5 and 7 of subsection 1 apply in respect of eligible expenses incurred after 20 August 2002.

(3) Paragraphs 3 and 6 of subsection 1 apply in respect of eligible expenses incurred after 29 March 2001.

425. (1) Section 1029.8.36.168 of the said Act is amended

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

“1029.8.36.168. A qualified corporation for a taxation year, other than such a corporation referred to in the second paragraph of section 1029.8.36.170, that encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the third paragraph, to have paid to the Minister on the corporation’s balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) 15% of the eligible expenses of the corporation for the year that constitute such expenses by reason of any of paragraphs *a* to *b* and *f* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(b) 18.75% of the eligible expenses of the corporation for the year that constitute such expenses by reason of any of paragraphs *c* to *d* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(c) 30% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *e* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(d) subject to the second paragraph, 30% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *a.1* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid; and

(e) subject to the second paragraph, 26.25% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *c.1* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid.”;

(2) by inserting the following paragraph after the first paragraph:

“The total amount that the qualified corporation is deemed to have paid to the Minister for the year under subparagraphs *d* and *e* of the first paragraph and subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.169 and 1029.8.36.171 shall not exceed the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.171.1.”

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002. However, where the first paragraph of section 1029.8.36.168 of the said Act applies in respect of eligible expenses incurred before 13 June 2003, it shall be read with

(1) the reference to “15%” in subparagraph *a* replaced by a reference to “20%”;

(2) the reference to “18.75%” in subparagraph *b* replaced by a reference to “25%”;

(3) the reference to “30%” in subparagraph *c* replaced by a reference to “40%”;

(4) the reference to “30%” in subparagraph *d* replaced by a reference to “40%”; and

(5) the reference to “26.25%” in subparagraph *e* replaced by a reference to “35%”.

426. (1) Section 1029.8.36.169 of the said Act is amended

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

“1029.8.36.169. A qualified corporation for a taxation year that is a member of a qualified partnership, other than such a partnership referred to in the second paragraph of section 1029.8.36.171, at the end of a particular fiscal period of the partnership that ends in the year, and that encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the third paragraph, to have paid to the Minister on the qualified corporation’s balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) 15% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of any of paragraphs *a* to *b* and *f* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(b) 18.75% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of any of paragraphs *c* to *d* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(c) 30% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *e* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(d) subject to the second paragraph, 30% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *a.1* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid; and

(e) subject to the second paragraph, 26.25% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *c.1* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid.”;

(2) by inserting the following paragraph after the first paragraph:

“The total amount that the qualified corporation is deemed to have paid to the Minister for the year under subparagraphs *d* and *e* of the first paragraph and subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168, 1029.8.36.170 and 1029.8.36.171 shall not exceed the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.171.1.”

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002. However, where the first paragraph of section 1029.8.36.169 of the said Act applies in respect of eligible expenses incurred before 13 June 2003, it shall be read with

(1) the reference to “15%” in subparagraph *a* replaced by a reference to “20%”;

(2) the reference to “18.75%” in subparagraph *b* replaced by a reference to “25%”;

(3) the reference to “30%” in subparagraph *c* replaced by a reference to “40%”;

(4) the reference to “30%” in subparagraph *d* replaced by a reference to “40%”; and

(5) the reference to “26.25%” in subparagraph *e* replaced by a reference to “35%”.

427. (1) Section 1029.8.36.170 of the said Act is amended

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

“1029.8.36.170. A qualified corporation for a taxation year that is described in the second paragraph and that encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation’s balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) 15% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *f* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(b) 30% of the eligible expenses of the corporation for the year that constitute such expenses by reason of any of paragraphs *a* to *b* and *e* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(c) 33.75% of the eligible expenses of the corporation for the year that constitute such expenses by reason of any of paragraphs *c* to *d* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(d) subject to the third paragraph, 15% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *a.1* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid; and

(e) subject to the third paragraph, 11.25% of the eligible expenses of the corporation for the year that constitute such expenses by reason of paragraph *c.1* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid.”;

(2) by inserting the following paragraph after the second paragraph:

“The total amount that the qualified corporation is deemed to have paid to the Minister for the year under subparagraphs *d* and *e* of the first paragraph and subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.169 and 1029.8.36.171 shall not exceed the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.171.1.”

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002. However, where the first paragraph of section 1029.8.36.170 of the said Act applies in respect of eligible expenses incurred before 13 June 2003, it shall be read with

(1) the reference to “15%” in subparagraph *a* replaced by a reference to “20%”;

(2) the reference to “30%” in subparagraph *b* replaced by a reference to “40%”;

(3) the reference to “33.75%” in subparagraph *c* replaced by a reference to “45%”;

(4) the reference to “15%” in subparagraph *d* replaced by a reference to “20%”; and

(5) the reference to “11.25%” in subparagraph *e* replaced by a reference to “15%”.

428. (1) Section 1029.8.36.171 of the said Act is amended

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

“1029.8.36.171. A qualified corporation for a taxation year that is a member of a qualified partnership described in the second paragraph at the end of a particular fiscal period of the qualified partnership that ends in the year, and that encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the year under section 1000, is deemed, subject to the fourth paragraph, to have paid to the Minister on the corporation’s balance-due day for the year, on account of its tax payable for the year under this Part, an amount equal to the aggregate of

(a) 15% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *f* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(b) 30% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of any of paragraphs *a* to *b* and *e* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(c) 33.75% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of any of paragraphs *c* to *d* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid;

(d) subject to the third paragraph, 15% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such expenses by reason of paragraph *a.1* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid; and

(e) subject to the third paragraph, 11.25% of its share of the eligible expenses of the partnership for the particular fiscal period that constitute such

expenses by reason of paragraph *c.1* of the definition of “eligible expenses” in the first paragraph of section 1029.8.36.167, to the extent that the expenses are paid.”;

(2) by inserting the following paragraph after the second paragraph:

“The total amount that the qualified corporation is deemed to have paid to the Minister for the year under subparagraphs *d* and *e* of the first paragraph and subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168 to 1029.8.36.170 shall not exceed the amount by which its total taxes for the year exceed the amount it is deemed to have paid to the Minister for the year under section 1029.8.36.171.1.”

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002. However, where the first paragraph of section 1029.8.36.171 of the said Act applies in respect of eligible expenses incurred before 13 June 2003, it shall be read with

(1) the reference to “15%” in subparagraph *a* replaced by a reference to “20%”;

(2) the reference to “30%” in subparagraph *b* replaced by a reference to “40%”;

(3) the reference to “33.75%” in subparagraph *c* replaced by a reference to “45%”;

(4) the reference to “15%” in subparagraph *d* replaced by a reference to “20%”; and

(5) the reference to “11.25%” in subparagraph *e* replaced by a reference to “15%”.

429. (1) The said Act is amended by inserting the following sections after section 1029.8.36.171:

“1029.8.36.171.1. Subject to section 1029.8.36.171.3, a corporation that, for a particular taxation year ending after 20 August 2002, encloses the prescribed form containing the prescribed information with the fiscal return the corporation is required to file under section 1000 for the particular year, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation’s balance-due day for the particular year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of all amounts each of which is the lesser of

(*a*) the amount by which the unused portion of the refundable tax credit of the corporation for a taxation year, in subparagraph *b* referred to as the “original year”, that is any of the seven taxation years that precede the particular year, exceeds the aggregate of all amounts each of which is an

amount deemed to have been paid to the Minister by the corporation under this section or section 1029.8.36.171.2, in respect of the unused portion, on account of its tax payable for a taxation year preceding the particular year; and

(b) the amount by which the total taxes of the corporation for the particular year exceeds the aggregate of all amounts each of which is equal to the amount deemed to be paid by the corporation under this section, for the particular year, in respect of the unused portion of the refundable tax credit of the corporation for a taxation year preceding the original year.

For the purpose of computing the payments that a qualified corporation is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, 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.

“1029.8.36.171.2. Subject to section 1029.8.36.171.4, a corporation is deemed, for a particular taxation year ending after 20 August 2002, if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file under section 1000 for a taxation year, in this section referred to as the “subsequent year”, that is any of the three taxation years that follow the particular year, to have paid to the Minister for the particular year on the corporation’s balance-due day for the subsequent year, in relation to the unused portion of the refundable tax credit of the corporation for the subsequent year, an amount equal to the lesser of

(a) the amount by which the unused portion of the refundable tax credit of the corporation for the subsequent year exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister by the corporation under this section, in respect of the unused portion, for a taxation year preceding the particular year; and

(b) the amount by which the total taxes of the corporation for the particular year exceeds the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister for the particular year under subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168

to 1029.8.36.171 or section 1029.8.36.171.1, or under this section in respect of the unused portion of the refundable tax credit of the corporation for a taxation year preceding the subsequent year.

“1029.8.36.171.3. Where, at any time, control of a corporation is acquired by a person or group of persons, no amount may, for a taxation year ending after that time, be deemed, under section 1029.8.36.171.1, to have been paid to the Minister by the corporation in respect of the unused portion of the refundable tax credit of the corporation for a taxation year ending before that time.

However, the corporation may be deemed to have paid an amount to the Minister, for a particular taxation year ending after that time, in respect of the portion of an unused portion of the refundable tax credit for a taxation year ending before that time that may reasonably be considered to be attributable to the carrying on of a business, if the corporation carried on the business throughout the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may be deemed to have paid to the Minister for the particular year under section 1029.8.36.171.1 in respect of the portion referred to in the second paragraph must be determined as if the reference to the total taxes in that section were a reference to the portion of the total taxes of the corporation for the particular year that may reasonably be attributed to the carrying on of that business and, where the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time, of any other business substantially all the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

“1029.8.36.171.4. Where, at any time, control of a corporation is acquired by a person or group of persons, no amount may, for a taxation year ending before that time, be deemed, under section 1029.8.36.171.2, to have been paid to the Minister by the corporation in respect of the unused portion of the refundable tax credit of the corporation for a taxation year ending after that time.

However, the corporation may be deemed to have paid an amount to the Minister, for a particular taxation year ending before that time, in respect of the portion of an unused portion of the refundable tax credit for a taxation year ending after that time that may reasonably be considered to be attributable to the carrying on of a business, if the corporation carried on the business throughout the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may be deemed to have paid to the Minister for the particular year under section 1029.8.36.171.2 in respect of the portion referred to in the second paragraph must be determined as if the reference to the total taxes in that section were a reference to the portion of the total taxes of the corporation for the particular year that may reasonably be

attributed to the carrying on of that business and, where the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business, of any other business substantially all the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.”

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002.

430. (1) Section 1029.8.36.172 of the said Act is amended by replacing “paragraphs *a* to *c*” by “subparagraphs *a* to *e*” in the following provisions of the first paragraph:

- subparagraph *a*;
- the portion of subparagraph *b* before subparagraph *i*.

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002.

431. (1) The said Act is amended by inserting the following section after section 1029.8.36.172:

“1029.8.36.172.1. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister under section 1029.8.36.171.1 for a particular taxation year in respect of the unused portion of the refundable tax credit of the corporation for a particular preceding taxation year, in relation to eligible expenses incurred by the corporation or a partnership of which it is a member at the end of the fiscal period of the partnership ending in the particular preceding year, the portion of the unused refundable tax credit of the corporation, otherwise determined, shall be reduced by the amount determined under the second paragraph where

(*a*) in the particular year or a preceding taxation year, an amount relating to the eligible expenses of the corporation, other than an amount reducing those expenses in accordance with section 1029.8.36.172 or 1029.8.36.177, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(*b*) in a fiscal period of the partnership ending in the particular year or in a preceding taxation year and at the end of which the corporation is a member of the partnership, an amount relating to the eligible expenses of the partnership, other than an amount reducing those expenses in accordance with section 1029.8.36.172 or 1029.8.36.177, 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 amount to which the first paragraph refers is the amount by which the unused portion of the refundable tax credit of the corporation for the particular

preceding year, otherwise determined, exceeds the amount that would be the amount of the unused portion of the refundable tax credit of the corporation if

(a) any amount referred to in subparagraph *a* or *b* of the first paragraph that is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation were directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation in the particular preceding year; and

(b) any amount referred to in subparagraph *b* of the first paragraph that is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership were directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership in the fiscal period of the partnership ending in the particular preceding year.”

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002.

432. (1) Section 1029.8.36.173 of the said Act is replaced by the following section:

“1029.8.36.173. Where a corporation pays, in a taxation year, in this section referred to as the “repayment year”, 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 1029.8.36.172, eligible expenses of the corporation, for the purpose of computing the amount that it is deemed to have paid to the Minister under section 1029.8.36.168 or 1029.8.36.170 in respect of the expenses, for a particular taxation year, the corporation is deemed 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, if it encloses the prescribed form containing the prescribed information with the fiscal return it is required to file for the repayment year under section 1000, an amount equal to the aggregate of

(a) the amount by which the amount that it would be deemed to have paid to the Minister for the particular year, in respect of the expenses, under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.168 or 1029.8.36.170, 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 1029.8.36.172, exceeds the aggregate of

i. the amount that the corporation is deemed to have paid to the Minister for the particular year under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.168 or 1029.8.36.170, as the case may be, in respect of the expenses, and

ii. any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this paragraph in respect of an amount of repayment of that assistance; and

(b) the amount by which the aggregate of all amounts each of which is an amount that it would be deemed to have paid to the Minister, in respect of the expenses, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.168 or 1029.8.36.170, as the case may be, for the particular year, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the repayment year, 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 1029.8.36.172, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister, in respect of the expenses, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.168 or 1029.8.36.170, as the case may be, for the particular year under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the repayment year, and

ii. any amount that the corporation is deemed to have paid to the Minister for a taxation year preceding the repayment year under this paragraph in respect of an amount of repayment of that assistance.”

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002.

433. (1) Section 1029.8.36.174 of the said Act is amended by replacing the portion before subparagraph *a* of the second paragraph by the following:

“1029.8.36.174. Where a partnership pays, in a fiscal period, in this section referred to as 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 *i* of subparagraph *b* of the first paragraph of section 1029.8.36.172, a corporation’s share of the eligible expenses of the partnership 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 1029.8.36.169 or 1029.8.36.171, 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 the prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the aggregate of

(a) 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, in respect of the share, under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends exceeds the aggregate of

i. the amount that the corporation would be deemed to have paid to the Minister under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, in respect of the eligible expenses of the partnership, if the corporation's share of the income or loss of the partnership for the particular fiscal period were the same as the corporation's share for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this subparagraph 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 corporation's share of the income or loss of the partnership for the particular fiscal period were the same as the corporation's share for the fiscal period of repayment; and

(b) the amount by which the aggregate of all amounts each of which is a 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, in respect of the share, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of the eligible expenses of the partnership, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, if the corporation's share of the income or loss of the partnership for the particular fiscal period were the same as the corporation's share for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this subparagraph 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 corporation's share of the income or loss of the partnership for the particular fiscal period were the same as the corporation's share for the fiscal period of repayment.

The particular amounts to which subparagraphs *a* and *b* of the first paragraph refer shall be computed as if”.

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002.

434. (1) Section 1029.8.36.175 of the said Act is amended by replacing the portion before subparagraph *a* of the second paragraph by the following:

“1029.8.36.175. 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 1029.8.36.172, its share of the eligible expenses of the partnership 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 1029.8.36.169 or 1029.8.36.171, 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 the prescribed information with the fiscal return it is required to file for the year under section 1000, an amount equal to the aggregate of

(*a*) 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, in respect of the share, under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, exceeds the aggregate of

i. the amount that the corporation would be deemed to have paid to the Minister under subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, in respect of the share, if the corporation’s share of the income or loss of the partnership for the particular fiscal period were the same as the corporation’s share for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this subparagraph 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 corporation’s share of the income or loss of the partnership for the particular fiscal period were the same as the corporation’s share for the fiscal period of repayment; and

(*b*) the amount by which the aggregate of all amounts each of which is a 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, in respect of the share, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, exceeds the aggregate of

i. the aggregate of all amounts each of which is an amount that the corporation would be deemed to have paid to the Minister, in respect of the share, under subparagraphs *d* and *e* of the first paragraph of section 1029.8.36.169 or 1029.8.36.171, as the case may be, for its taxation year in which the particular fiscal period ends, or under section 1029.8.36.171.1 or 1029.8.36.171.2 for another taxation year that precedes the taxation year in which the fiscal period of repayment ends, if the corporation's share of the income or loss of the partnership for the particular fiscal period were the same as the corporation's share for the fiscal period of repayment, and

ii. any amount that the corporation would be deemed to have paid to the Minister under this subparagraph 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 corporation's share of the income or loss of the partnership for the particular fiscal period were the same as the corporation's share for the fiscal period of repayment.

The particular amounts to which subparagraphs *a* and *b* of the first paragraph refer shall be computed as if”.

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002.

435. (1) The said Act is amended by inserting the following section after section 1029.8.36.176:

“1029.8.36.176.1. For the purpose of computing the amount that a corporation is deemed to have paid to the Minister under section 1029.8.36.171.1 for a particular taxation year in respect of the unused portion of the refundable tax credit of the corporation for a particular preceding taxation year, the unused portion of the refundable tax credit of the corporation, otherwise determined, shall, where the conditions set out in the second paragraph are met for the particular year or for a preceding taxation year, each of which referred to in this section as a “year of increase”, be increased by the aggregate of all amounts each of which is the excess amount referred to in subparagraph *b* of the second paragraph for a year of increase.

For the purposes of the first paragraph, the conditions that shall be met for a year of increase are as follows:

(a) paragraph *b* of section 1029.8.36.173 or subparagraph *b* of the first paragraph of section 1029.8.36.174 or 1029.8.36.175 applies for the year of

increase to the corporation in relation to a particular amount that may reasonably be considered to be the refund, made in the year of increase or in the fiscal period of a partnership ending in the year of increase, of government assistance or non-government assistance that reduced, because of section 1029.8.36.172, the eligible expenses of the corporation for the particular preceding year or the corporation's share of the eligible expenses of the partnership for a fiscal period of the partnership ending in the particular preceding year; and

(b) the amount determined under the third paragraph exceeds the amount determined under the fourth paragraph.

The first amount to which subparagraph *b* of the second paragraph refers is the total amount that the corporation would be deemed to have paid to the Minister for the particular preceding year under subparagraphs *d* and *e* of the first paragraph of sections 1029.8.36.168 to 1029.8.36.171 if

(a) no reference were made to the second paragraph of sections 1029.8.36.168 and 1029.8.36.169 and to the third paragraph of sections 1029.8.36.170 and 1029.8.36.171;

(b) where subparagraph *b* of the first paragraph of section 1029.8.36.174 or 1029.8.36.175 applies for the year of increase of the corporation, the corporation's share of the income or loss of the partnership for the fiscal period of the partnership ending in the particular preceding year had been the same as the corporation's share for the year of increase; and

(c) any particular amount referred to in subparagraph *a* of the second paragraph that may reasonably be considered to be the refund of government assistance or non-government assistance referred to in that subparagraph *a* had reduced the amount of government assistance or non-government assistance.

The second amount to which subparagraph *b* of the second paragraph refers is the aggregate of

(a) the amount that would be determined under the third paragraph if no reference were made to subparagraph *c* of that paragraph; and

(b) the total amount that the corporation is deemed to have paid to the Minister for the year of increase under sections 1029.8.36.173 to 1029.8.36.175.”

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002.

436. (1) Section 1029.8.36.177 of the said Act is amended by replacing “subparagraphs *a* to *c*” by “subparagraphs *a* to *e*” in the following provisions of the first paragraph:

— subparagraph *a*;

— the portion of subparagraph *b* before subparagraph *i*.

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002.

437. (1) Section 1029.8.36.178 of the said Act is amended by replacing “1029.8.36.171 and 1029.8.36.173 to 1029.8.36.175” by “1029.8.36.171.2 and 1029.8.36.173 to 1029.8.36.175, in respect of eligible expenses incurred before 13 June 2003;”.

(2) Subsection 1 has effect from 21 August 2002.

438. (1) Section 1029.8.61.1 of the said Act is amended

(1) by striking out “, the management charges relating to the use of the authorized payment arrangement which are in connection with the service” in the portion of paragraph *a* of the definition of “eligible expense” in the first paragraph before subparagraph *i*;

(2) by replacing paragraph *b* of the definition of “eligible expense” in the first paragraph by the following paragraph:

“(b) in the case of a service rendered or to be rendered by a person, other than a person who is an employee of the eligible individual, or a partnership, each of which referred to in this division as the “service provider”, to the amount that is the cost of the service, including, where applicable, the goods and services tax or the Québec sales tax in respect of the service;”;

(3) by striking out the definition of “management charges” in the first paragraph;

(4) by replacing subparagraph *a* of the second paragraph by the following subparagraph:

“(a) the portion of an amount as rent or charges resulting from co-ownership, that may reasonably be attributed to one or more eligible services rendered or to be rendered in respect of the eligible individual, may constitute an eligible expense if it is reasonable, in respect of the rent or charges, and specifically identified in writing by the service provider;”.

(2) Paragraphs 1 to 3 of subsection 1 have effect from 1 September 2002.

(3) Paragraph 4 of subsection 1 applies from the taxation year 2000.

439. (1) Section 1029.8.61.2 of the said Act is amended by replacing paragraph *b* by the following paragraph:

“(b) any amount that was taken into account in computing

i. an amount that was deducted in computing the tax payable by the individual or the individual’s spouse for the year or a preceding taxation year under this Part, or

ii. an amount that is deemed to have been paid to the Minister on account of the tax payable by the individual or the individual’s spouse for the year or a preceding taxation year under this Part, except an amount that is deemed, under this division, to have been paid to the Minister on account of the tax payable by the individual or the individual’s spouse for the year under this Part; or”.

(2) Subsection 1 has effect from 3 July 2003.

440. (1) Section 1029.8.62 of the said Act is amended

(1) by replacing subparagraphs 1 and 2 of subparagraph i of paragraph *e* of the definition of “eligible expenses” in the first paragraph by the following subparagraphs:

“(1) the travelling enables the individual to join the adopted child in a foreign country or in a large urban centre situated in Québec whereto the adopted child was escorted, and

“(2) the travelling enables the individual to leave the foreign country or the large urban centre in the company of the adopted child in order that the child may be integrated into the self-contained domestic establishment of the individual or the individual’s spouse, and”;

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

“(a) expenses in respect of which an amount

i. was deducted in computing the income or taxable income of or tax payable by the individual or the individual’s spouse for the year or a preceding taxation year under this Part, or

ii. is deemed to have been paid to the Minister by the individual or the individual’s spouse on account of the tax payable by the individual or the individual’s spouse for the year or a preceding taxation year under this Part, except an amount that is deemed under this division to have been paid to the Minister on account of the tax payable by the individual or the individual’s spouse for the year under this Part;”.

(2) Paragraph 1 of subsection 1 applies in respect of qualifying certificates given after 31 December 2000 or qualifying judgments rendered after that date.

(3) Paragraph 2 of subsection 1 has effect from 3 July 2003.

441. (1) Section 1029.8.66.1 of the said Act is amended by replacing subparagraph *a* of the second paragraph by the following subparagraph:

“(a) expenses in respect of which an amount

i. was deducted in computing the income or taxable income of or tax otherwise payable by the individual or the individual’s spouse for the year or a preceding taxation year under this Part, or

ii. is deemed to have been paid to the Minister by the individual or the individual’s spouse on account of the tax payable by the individual or the individual’s spouse for the year or a preceding taxation year under this Part, except an amount that is deemed under this division to have been paid to the Minister on account of the tax payable by the individual or the individual’s spouse for the year under this Part; and”.

(2) Subsection 1 applies from the taxation year 2000.

442. (1) Section 1042.1 of the said Act is amended

(1) by adding the following subparagraph after subparagraph *b* of the first paragraph:

“(c) an adjustment of the income tax paid for a taxation year by a designated trust, within the meaning of section 671.5, to the government of a province, other than Québec, in respect of which the taxpayer deducted, under section 772.15, an amount in computing the taxpayer’s tax otherwise payable under this Part for the particular year, other than an adjustment that results from modifications made in computing the designated trust’s income.”;

(2) by adding the following subparagraph after subparagraph *b* of the second paragraph:

“(c) that ends 90 days after the date on which the designated trust is first notified of the amount of the adjustment, if subparagraph *c* of the first paragraph applies.”

(2) Subsection 1 applies from the taxation year 2002.

443. (1) Section 1044.2 of the said Act, amended by section 12 of chapter 4 of the statutes of 2004, is again amended by striking out “or that would be payable by the corporation if the first paragraph of section 27.0.1 of the Act respecting the Ministère du Revenu were read with “, before the twenty-first day of the month following the month during which a notice of assessment was sent to him,” replaced by the word “immediately,” in the definition of “underpayment amount”.

(2) Subsection 1 applies in respect of notices of assessment sent after 31 October 2004.

444. (1) Section 1044.3 of the said Act, amended by section 13 of chapter 4 of the statutes of 2004, is again amended by striking out “, or that would be payable by the corporation if the first paragraph of section 27.0.1 of the Act respecting the Ministère du Revenu were read with “, before the twenty-first day of the month following the month during which a notice of assessment was sent to him,” replaced by the word “immediately” in paragraph *b*.

(2) Subsection 1 applies in respect of notices of assessment sent after 31 October 2004.

445. (1) Section 1045 of the said Act, amended by section 129 of chapter 9 of the statutes of 2001, is again amended by replacing “real estate” in the English text of the second paragraph by “property”.

(2) Subsection 1 has effect from 22 October 1999.

446. Section 1049.0.10 of the said Act is amended by replacing the portion before paragraph *a* by the following:

“**1049.0.10.** Where an employee, other than a specified employee, works for the other person, the following rules apply:”.

447. (1) Section 1086.6 of the said Act is replaced by the following section:

“**1086.6.** An individual shall pay, for a taxation year, a tax equal to the aggregate of the advance payments paid to the individual for that year under section 82.3 of the Act respecting income support, employment assistance and social solidarity (chapter S-32.001).”

(2) Subsection 1 has effect from 1 January 2002.

448. (1) Section 1089 of the said Act, amended by section 185 of chapter 8 of the statutes of 2004, is again amended

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

“(a) the amount by which the aggregate of the income from the duties of offices or employments performed by the individual in Québec and the income from the duties of offices or employments performed by the individual outside Canada if the individual was resident in Québec at the time the individual performed the duties exceeds the aggregate of the amounts that, if the individual is an individual referred to in section 737.16.1, a foreign researcher within the meaning of section 737.19, a foreign researcher on a postdoctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign specialist within the meaning of section

737.22.0.1 or a foreign professor within the meaning of section 737.22.0.5, would be deductible in computing the individual's taxable income for the year under any of sections 737.16.1, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3 and 737.22.0.7 if the individual's taxable income were determined under Part I;"

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

"(g) the amount by which the income determined under paragraphs *b* and *c* of section 1092 in respect of the individual exceeds the aggregate of the amounts that, if the individual is an individual referred to in section 737.16.1, a foreign researcher within the meaning of section 737.19, a foreign researcher on a postdoctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign specialist within the meaning of section 737.22.0.1 or a foreign professor within the meaning of section 737.22.0.5, would be deductible in computing the individual's taxable income for the year under any of sections 737.16.1, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3 and 737.22.0.7 if the individual's taxable income were determined under Part I;"

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

"However, the income earned in Québec for a taxation year by an individual who is a foreign specialist, within the meaning of section 737.18.6 or 737.18.29, or who is described in section 66 of the Act respecting international financial centres (chapter C-8.3), is the amount by which the particular amount that is determined in respect of the individual for the year under the first paragraph exceeds the aggregate of

(a) the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year;

(b) the product obtained by multiplying the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined in subparagraph 1 of the second paragraph of section 65 of that Act; and

(c) the product obtained by multiplying the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year, by the percentage determined in subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment.";

(4) by replacing the third paragraph by the following paragraph:

“In addition, in the case of an individual who is a member of a partnership operating an international financial centre, within the meaning of section 1, 75% or, in the case of a trust, 22.5% of the individual’s share of the income or loss of the partnership from the operations of that centre is deemed to be nil for the purposes of the first paragraph.”

(2) Paragraphs 1 to 3 of subsection 1 have effect from 1 January 2001. However, where subparagraphs *b* and *c* of the second paragraph of section 1089 of the said Act apply before the taxation year 2003, they shall be read as follows:

“(b) the portion of the particular amount that is included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year; and

“(c) the portion of the particular amount that is included in the part of the individual’s income for the year that may reasonably be considered to be earned in the part of the individual’s eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year.”

(3) Paragraph 4 of subsection 1 applies to taxation years of an individual that end after 20 October 2000. However, where the individual is a member of a partnership that, in a fiscal period of the partnership that ends in such a taxation year of the individual and that includes 12 June 2003 or ends before that date, operates an international financial centre, the third paragraph of section 1089 of the said Act shall, for the application of that section to that taxation year of the individual and in relation to the individual’s share of the income or loss of the partnership for the fiscal period, be read

(1) with the percentage of 75% replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre;

(2) where the fiscal period includes 20 October 2000 or ends before that date, with the percentage of 22.5% replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 21 October 2000 is of the number of days in the fiscal period, and

(b) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that follow 20 October 2000 is of the number of days in the fiscal period; and

(3) where the fiscal period begins after 20 October 2000, with the percentage of 22.5% replaced by the total of

(a) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 22.5% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre.

(4) In addition, where section 1089 of the said Act applies to the taxation year 2000, it shall be read

(1) with the reference to “a foreign specialist within the meaning of section 737.18.29,” and the reference to “737.18.34,” in subparagraphs *a* and *g* of the first paragraph struck out; and

(2) with subparagraph *a* of the second paragraph replaced by the following subparagraph:

“(a) a foreign specialist, within the meaning of section 737.18.6 or 737.18.29, the individual’s income earned in Québec for a taxation year is the amount by which the amount determined in respect of the individual for the year under the first paragraph exceeds that part of the amount referred to in section 737.18.10 or in section 737.18.34; or”.

449. (1) Section 1090 of the said Act, amended by section 186 of chapter 8 of the statutes of 2004, is again amended

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

“(a) the amount by which the aggregate of the income from the duties of offices or employments performed by the individual in Canada and the income from the duties of offices or employments performed by the individual outside Canada if the individual was resident in Canada at the time the individual performed the duties exceeds the aggregate of the amounts that, if the individual

is an individual referred to in section 737.16.1, a foreign researcher within the meaning of section 737.19, a foreign researcher on a postdoctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign specialist within the meaning of section 737.22.0.1 or a foreign professor within the meaning of section 737.22.0.5, would be deductible in computing the individual's taxable income for the year under any of sections 737.16.1, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3 and 737.22.0.7 if the individual's taxable income were determined under Part I;"

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

"(g) the amount by which the income that would be determined under paragraphs *b* and *c* of section 1092 in respect of the individual if the word "Québec", in sections 1092 and 1093, were replaced, wherever it appears, by the word "Canada", exceeds the aggregate of the amounts that, if the individual is an individual referred to in section 737.16.1, a foreign researcher within the meaning of section 737.19, a foreign researcher on a post-doctoral internship within the meaning of section 737.22.0.0.1, a foreign expert within the meaning of section 737.22.0.0.5, a foreign specialist within the meaning of section 737.22.0.1 or a foreign professor within the meaning of section 737.22.0.5, would be deductible in computing the individual's taxable income for the year under any of sections 737.16.1, 737.21, 737.22.0.0.3, 737.22.0.0.7, 737.22.0.3 and 737.22.0.7 if the individual's taxable income were determined under Part I;"

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

"However, the income earned in Canada for a taxation year by an individual who is a foreign specialist, within the meaning of section 737.18.6 or 737.18.29, or who is described in section 66 of the Act respecting international financial centres (chapter C-8.3), is the amount by which the particular amount that is determined in respect of the individual for the year under the first paragraph exceeds the aggregate of

(a) the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's exemption period, within the meaning of section 737.18.6, in relation to an employment that is included in the year;

(b) the product obtained by multiplying the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year, by the percentage determined in subparagraph 1 of the second paragraph of section 65 of that Act; and

(c) the product obtained by multiplying the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year, by the percentage determined in subparagraph *a* of the second paragraph of section 737.18.34 in respect of that employment.”;

(4) by replacing the third paragraph by the following paragraph:

“In addition, in the case of an individual who is a member of a partnership operating an international financial centre, within the meaning of section 1, 75% or, in the case of a trust, 22.5% of the individual's share of the income or loss of the partnership from the operations of that centre is deemed to be nil for the purposes of the first paragraph.”

(2) Paragraphs 1 to 3 of subsection 1 have effect from 1 January 2001. However, where subparagraphs *b* and *c* of the second paragraph of section 1090 of the said Act apply before the taxation year 2003, they shall be read as follows:

“(b) the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's reference period, established under section 69 of the Act respecting international financial centres, in relation to an employment that is included in the year; and

“(c) the portion of the particular amount that is included in the part of the individual's income for the year that may reasonably be considered to be earned in the part of the individual's eligibility period, within the meaning of section 737.18.29, in relation to an employment that is included in the year.”

(3) Paragraph 4 of subsection 1 applies to taxation years of an individual that end after 20 October 2000. However, where the individual is a member of a partnership that, in a fiscal period of the partnership that ends in such a taxation year of the individual and that includes 12 June 2003 or ends before that date, operates an international financial centre, the third paragraph of section 1090 of the said Act shall, for the application of that section to that taxation year of the individual and in relation to the individual's share of the income or loss of the partnership for the fiscal period, be read

(1) with the percentage of 75% replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 75% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the

partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre;

(2) where the fiscal period includes 20 October 2000 or ends before that date, with the percentage of 22.5% replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 21 October 2000 is of the number of days in the fiscal period, and

(b) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that follow 20 October 2000 is of the number of days in the fiscal period; and

(3) where the fiscal period begins after 20 October 2000, with the percentage of 22.5% replaced by the total of

(a) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 22.5% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre.

(4) In addition, where section 1090 of the said Act applies to the taxation year 2000, it shall be read

(1) with the reference to “a foreign specialist within the meaning of section 737.18.29,” and the reference to “737.18.34,” in subparagraphs *a* and *g* of the first paragraph struck out; and

(2) with subparagraph *a* of the second paragraph replaced by the following subparagraph:

“(a) a foreign specialist, within the meaning of section 737.18.6 or 737.18.29, the individual’s income earned in Canada for a taxation year is the amount by which the amount determined in respect of the individual for the year under the first paragraph exceeds that part of the amount referred to in section 737.18.10 or in section 737.18.34; or”.

450. (1) Section 1129.4.0.2 of the said Act is amended by replacing “a certificate issued by it” in subparagraph *a* of the first paragraph by “a certificate it has issued”.

(2) Subsection 1 applies in respect of property for which an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

451. (1) Section 1129.4.0.18 of the said Act is amended by replacing “qu’aucune attestation n’est délivrée à l’égard du bien par celle-ci, soit du fait que l’attestation délivrée à l’égard de ce bien par cette société est alors révoquée” in the French text of subparagraph *a* of the first paragraph by “qu’aucun certificat n’est délivré à l’égard du bien par celle-ci, soit du fait que le certificat délivré à l’égard de ce bien par cette société est alors révoqué”.

(2) Subsection 1 applies in respect of property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

452. (1) Section 1129.4.3.23.1 of the said Act is amended by replacing “the Minister of Finance revokes” and “issued by the Minister of Finance” in the first paragraph by “Investissement Québec revokes” and “issued”, respectively.

(2) Subsection 1 applies in respect of qualification certificates revoked after 31 March 2003.

453. (1) Section 1129.4.3.26 of the said Act is amended by inserting the following definition in alphabetical order in the first paragraph:

““eligibility period” has the meaning assigned by section 1029.8.36.0.3.60;”.

(2) Subsection 1 has effect from 1 January 2001.

454. (1) Section 1129.4.3.28 of the said Act is amended

(1) by striking out “, taking into account the second paragraph of that section,” wherever it appears in the following provisions of the first paragraph:

— the portion of subparagraph *c* before subparagraph ii;

— the portion of subparagraph *f* before subparagraph ii;

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

“For the purposes of subparagraphs *d* to *f* of the first paragraph, where Investissement Québec revokes in the particular taxation year the qualification certificate issued, for the purposes of Division II.6.0.1.7 of Chapter III.1 of Title III of Book IX of Part I, to the corporation in relation to an eligible employee for a pay period of a calendar year within its eligibility period, in

relation to a recognized business, the amount of the salary or wages paid by a corporation to that employee is deemed to be refunded to the corporation in the particular taxation year.”

(2) Subsection 1 has effect from 1 January 2001. However, where the second paragraph of section 1129.4.3.28 of the said Act applies

(1) before 1 January 2003, it shall be read with the reference to “pay” struck out;

(2) before 1 April 2003, the reference therein to “Investissement Québec” shall be read as a reference to “the Minister of Finance”.

455. (1) Section 1129.4.10.1 of the said Act is amended

(1) by replacing “by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property” in the first paragraph and in the version of the first paragraph of that section enacted by the fourth paragraph of that section by “by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence”;

(2) by adding the following paragraph after the fifth paragraph:

“For the purposes of this section, where, at any time, a corporation disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have ceased to use, at that time, the property by reason of its obsolescence; in that respect, where the parties to the sale are not dealing with each other at arm’s length, the proceeds of disposition of the property are deemed to be equal to its fair market value.”

(2) Subsection 1 is declaratory.

456. (1) Section 1129.4.23 of the said Act is amended

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

““filing-due date” has the meaning assigned by section 1;

““recognized business” has the meaning assigned by the first paragraph of section 1029.8.36.0.38;”;

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

““international trade zone” has the meaning assigned by the first paragraph of section 1029.8.36.0.38;”.

(2) Subsection 1 has effect from 19 December 2002.

457. (1) Section 1129.4.24 of the said Act is amended by adding the following paragraph after the second paragraph:

“However, no tax is payable under this section if section 1129.4.24.1 applies in respect of the property for the repayment year or for a preceding taxation year.”

(2) Subsection 1 applies in respect of qualified property acquired under a contract entered into after 19 December 2002.

458. (1) The said Act is amended by inserting the following section after section 1129.4.24:

“1129.4.24.1. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.73, on account of its tax payable under Part I, in relation to acquisition costs incurred in respect of qualified property in the course of carrying on a recognized business, shall pay the tax referred to in the second paragraph for a taxation year, in this section referred to as the “particular year”, if, at any time in the period described in the third paragraph the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used by the corporation exclusively in the international trade zone and, exclusively or almost exclusively, to earn income from activities shown on the certificate issued to the corporation in respect of the recognized business and carried on in that zone by the 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 is deemed to have paid to the Minister under section 1029.8.36.0.73 or 1029.8.36.0.77, in relation to the acquisition costs, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.4.24, for a taxation year preceding the particular year, in relation to the acquisition costs.

The period to which the first paragraph refers is the period that begins the day after the corporation’s filing-due date for the taxation year in which the corporation acquired the qualified property and ends on the day that is the earlier of the last day of the three-year period following the beginning of the use of the property by the corporation and the corporation’s filing-due date for the particular year.

For the purposes of the first paragraph, where, at any time, a corporation disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have ceased to use, at that time, the property by reason of its obsolescence; in that respect, where the parties to the sale are not dealing with each other at arm’s length, the proceeds of disposition of the property are deemed to be equal to its fair market value.”

(2) Subsection 1 applies in respect of qualified property acquired under a contract entered into after 19 December 2002.

459. (1) Section 1129.4.25 of the said Act is amended by adding the following paragraph after the third paragraph:

“However, no tax is payable under this section if section 1129.4.25.1 applies in respect of the property for the fiscal period of repayment or for a preceding fiscal period.”

(2) Subsection 1 applies in respect of qualified property acquired under a contract entered into after 19 December 2002.

460. (1) The said Act is amended by inserting the following section after section 1129.4.25:

“1129.4.25.1. Every corporation that is a member of a partnership and that is deemed to have paid an amount to the Minister for a taxation year, under section 1029.8.36.0.74, on account of its tax payable under Part I, in relation to acquisition costs incurred by the partnership in respect of qualified property in the course of carrying on a recognized business in a fiscal period of the partnership that ends in the year, shall pay the tax referred to in the second paragraph for a particular taxation year, in this section referred to as the “particular year”, if, at any time in the period described in the third paragraph, the property ceases, otherwise than by reason of its loss, the involuntary destruction of the property by fire, theft or water, a major breakdown of the property or its obsolescence, to be used by the partnership exclusively in the international trade zone and, exclusively or almost exclusively, to earn income from activities shown on the certificate issued to the partnership in respect of the recognized business and carried on in that zone by the partnership.

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 under any of sections 1029.8.36.0.74, 1029.8.36.0.78 and 1029.8.36.0.79, in relation to the acquisition costs, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.4.25, for a taxation year preceding the particular year, in relation to the acquisition costs.

The period to which the first paragraph refers is the period that begins the day after the corporation’s filing-due date for the taxation year in which the partnership’s fiscal period ends and in which the partnership acquired the qualified property and ends on the day that is the earlier of the last day of the three-year period following the beginning of the use of the property by the partnership and the corporation’s filing-due date for the particular year.

For the purposes of the first paragraph, where, at any time, a partnership disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the partnership is deemed not to have ceased to use, at that time, the property by reason of its obsolescence.”

(2) Subsection 1 applies in respect of qualified property acquired under a contract entered into after 19 December 2002.

461. (1) Section 1129.4.26 of the said Act is amended

(1) by replacing “section 1129.4.24” in paragraph *a* by “section 1129.4.24 or 1129.4.24.1”;

(2) by replacing “section 1129.4.25” in paragraph *b* by “section 1129.4.25 or 1129.4.25.1”.

(2) Subsection 1 has effect from 20 December 2002.

462. (1) Section 1129.4.30 of the said Act is amended by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(b) where the particular year is one of the last four years of the corporation’s filing period, the amount determined by the formula

$$A \times [(10 - B) \times 20] / 100.”$$

(2) Subsection 1 has effect from 12 June 2003.

463. (1) The said Act is amended by inserting the following after section 1129.23.4:

“PART III.5.2

“SPECIAL TAX RELATING TO RECOGNIZED POLITICAL EDUCATION ORGANIZATIONS

“**1129.23.5.** In this Part,

“Minister” means the Minister of Revenue;

“recognized political education organization” has the meaning assigned by section 985.36;

“taxation year” means a taxation year for the purposes of Chapter III.4 of Title I of Book VIII of Part I.

“**1129.23.6.** A recognized political education organization that fails to comply with the requirement of section 985.37 in its respect for a taxation year shall pay for that year tax equal to the minimum additional amount it would have been required to expend in the year to comply with that requirement.

“**1129.23.7.** Where a recognized political education organization is required to pay tax for a taxation year under this Part, it shall, within six months after the end of the year,

(a) file with the Minister, without notice or demand therefor, a statement under this Part in prescribed form for the year;

(b) estimate, in the statement, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

“1129.23.8. Except where inconsistent with this Part, sections 1001, 1002, 1005 to 1024 and 1031 to 1079.16 apply to this Part, with the necessary modifications.”

(2) Subsection 1 applies to taxation years that end after 18 December 2002.

464. (1) The said Act is amended by inserting the following section after section 1129.25:

“1129.25.1. The Fund shall pay, for its taxation year beginning on 1 July 2003 and ending on 31 May 2004, a tax equal to 15% of the amount by which the aggregate of all amounts each of which is an amount paid during that year for the purchase of a share as first purchaser exceeds \$550,000,000.

For the purposes of the first paragraph, an amount paid for the purchase of a share does not include the issue price paid in respect of the share.”

(2) Subsection 1 has effect from 12 June 2003.

465. (1) The said Act is amended by inserting the following section after section 1129.26:

“1129.26.1. Where the Fund is required to pay tax under this Part for the year referred to in section 1129.25.1, it shall, not later than the ninetieth day following the end of the year, pay to the Minister the amount of its tax payable under this Part for the year.”

(2) Subsection 1 has effect from 12 June 2003.

466. (1) The said Act is amended by inserting the following after section 1129.27:

“PART III.6.0.1**“SPECIAL TAX RELATING TO FONDACTION, LE FONDS DE DÉVELOPPEMENT DE LA CONFÉDÉRATION DES SYNDICATS NATIONAUX POUR LA COOPÉRATION ET L'EMPLOI**

“1129.27.0.1. In this Part,

“Fund” means the corporation governed by the Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (chapter F-3.1.2);

“Minister” means the Minister of Revenue;

“share” means a class “A” or class “B” share or fractional share in the share capital of the Fund.

“1129.27.0.2. The Fund shall pay, for its taxation year beginning on 1 June 2003 and ending on 31 May 2004, a tax equal to 15% of the amount by which the aggregate of all amounts each of which is an amount paid during that year for the purchase of a share as first purchaser exceeds \$80,000,000.

For the purposes of the first paragraph, an amount paid for the purchase of a share does not include the issue price paid in respect of the share.

“1129.27.0.3. Where the Fund is required to pay tax under this Part for the year referred to in section 1129.27.0.2, it shall, not later than the ninetieth day following the end of the year, pay to the Minister the amount of its tax payable under this Part for the year.

“1129.27.0.4. Except where inconsistent with this Part, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.”

(2) Subsection 1 has effect from 12 June 2003.

467. (1) Section 1129.27.1 of the said Act is amended

(1) by replacing paragraphs *c* to *j* of the definition of “cumulative limit amount” by the following paragraphs:

“(c) \$375,000,000, in respect of the capitalization period that begins on 1 March 2003 and ends on 29 February 2004;

“(d) \$475,000,000, in respect of the capitalization period that begins on 31 March 2004 and ends on 28 February 2005;

“(e) \$625,000,000, in respect of the capitalization period that begins on 1 March 2005 and ends on 28 February 2006;

“(f) \$775,000,000, in respect of the capitalization period that begins on 1 March 2006 and ends on 28 February 2007;

“(g) \$925,000,000, in respect of the capitalization period that begins on 1 March 2007 and ends on 29 February 2008;

“(h) \$1,075,000,000, in respect of the capitalization period that begins on 1 March 2008 and ends on 28 February 2009;

“(i) \$1,225,000,000, in respect of the capitalization period that begins on 1 March 2009 and ends on 28 February 2010;

“(j) \$1,375,000,000, in respect of the capitalization period that begins on 1 March 2010 and ends on 28 February 2011;”;

(2) by replacing paragraph *c* of the definition of “capitalization period” by the following paragraph:

“(c) for any period beginning after 28 February 2003, the period that begins on 1 March of a calendar year and ends on the last day of February of the following calendar year, except in respect of the capitalization period that ends on 28 February 2005, which begins on 31 March 2004;”.

(2) Paragraph 1 of subsection 1 has effect from 1 March 2003.

(3) Paragraph 2 of subsection 1 has effect from 31 March 2004.

468. (1) Section 1129.27.10 of the said Act is amended by replacing “1079.6” by “1079.16”.

(2) Subsection 1 has effect from 1 July 2001.

469. (1) Section 1129.27.12 of the said Act is amended

(1) by replacing “fourth” in subparagraphs *b* and *c* of the second paragraph by “fifth”;

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

“For the purposes of this section, the following rules apply:

(a) the average net assets for the preceding taxation year shall be determined by adding the net assets at the beginning of that preceding year to the net assets at the end of that preceding year and by dividing the sum so obtained by 2; and

(b) the average investments for the taxation year shall be determined by the formula

$(D + E + F + G) / 2$.”;

(3) by adding the following paragraph after the fourth paragraph:

“In the formula provided for in subparagraph *b* of the fourth paragraph,

(a) D is the Corporation’s investments permitted under section 19 of the Act constituting Capital régional et coopératif Desjardins and entailing no security or hypothec, at the beginning of the taxation year;

(b) E is the Corporation’s investments permitted under section 19 of the Act constituting Capital régional et coopératif Desjardins and entailing no security or hypothec, at the end of the taxation year;

(c) F is the amount by which an amount that is the total of the disinvestments for the taxation year that relate to investments entailing no security or hypothec, already made by the Corporation and permitted under section 19 of the Act constituting Capital régional et coopératif Desjardins, exceeds an amount equal to 2% of the Corporation’s average net assets for the preceding taxation year; and

(d) G is the amount determined under subparagraph *c* for the preceding taxation year.”

(2) Subsection 1 applies to taxation years that begin after 31 December 2005.

470. (1) Section 1129.39 of the said Act is amended by replacing the first paragraph by the following paragraph:

“**1129.39.** Every taxpayer who is deemed to have paid to the Minister, under Division II.5.1 of Chapter III.1 of Title III of Book IX of Part I, an amount as partial payment of the taxpayer’s tax payable under that Part for a particular taxation year shall, where during a subsequent taxation year, an amount relating to a qualified expenditure or to the taxpayer’s share of such an expenditure, in respect of which the taxpayer is so deemed to have paid an amount is, directly or indirectly, refunded to the taxpayer or allocated to a payment to be made by the taxpayer, pay for that subsequent year tax equal to the amount obtained by applying to the amount so refunded or allocated the percentage applied for the particular year to the qualified expenditure under section 1029.8.33.6 or to the taxpayer’s share of such an expenditure under section 1029.8.33.7.”

(2) Subsection 1 has effect from 12 June 2003.

471. (1) Section 1129.40 of the said Act is amended by replacing the first paragraph by the following paragraph:

“1129.40. Every taxpayer who is a member of a partnership and who is deemed to have paid to the Minister, under section 1029.8.33.7, an amount as partial payment of the taxpayer’s tax payable under Part I for a particular taxation year in respect of the taxpayer’s share of the amount of a qualified expenditure made by the partnership in a particular fiscal period of the partnership that ends in that particular year, shall, where during a subsequent fiscal period of the partnership, an amount relating to that expenditure is, directly or indirectly, refunded to the partnership or allocated to a payment to be made by the partnership, pay, for the taxation year in which that subsequent fiscal period ends, tax equal to the amount obtained by applying to the taxpayer’s share of the amount so refunded or allocated the percentage applied to the taxpayer’s share of the qualified expenditure for the particular taxation year under section 1029.8.33.7.”

(2) Subsection 1 has effect from 12 June 2003.

472. (1) Sections 1129.41.2 to 1129.41.3.2 of the said Act are replaced by the following sections:

“1129.41.2. Every taxpayer who, in relation to a qualified expenditure, is deemed to have paid an amount to the Minister, under section 1029.8.33.13 or 1029.8.33.14, on account of the taxpayer’s tax payable under Part I for a particular taxation year shall, where, during a subsequent taxation year, an amount relating to a qualified expenditure or to the taxpayer’s share of an aggregate of qualified expenditures, in respect of which the taxpayer is so deemed to have paid an amount is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, pay, for that subsequent year, a tax equal to

(a) where a percentage was applied for the particular year to reduce the qualified expenditure under section 1029.8.33.13 or 1029.8.33.14, the product obtained by multiplying the amount so refunded, paid or allocated by that percentage; and

(b) in any other case, the amount so refunded, paid or allocated.

“1129.41.3. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.33.14, on account of the taxpayer’s tax payable under Part I for a particular taxation year in respect of the taxpayer’s share of an aggregate of qualified expenditures determined in respect of the partnership for a fiscal period of the partnership shall, where, during a subsequent fiscal period of the partnership, an amount relating to such expenditures is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, pay, for the taxation year in which that subsequent fiscal period ends, a tax equal to the taxpayer’s share, for that subsequent fiscal period, of

(a) where a percentage was applied, for the fiscal period that ends in the particular taxation year, to reduce the qualified expenditure under section 1029.8.33.14, the product obtained by multiplying the amount so refunded, paid or allocated by that percentage; and

(b) in any other case, the amount so refunded, paid or allocated.

“1129.41.3.1. Every taxpayer who, in relation to a qualified expenditure referred to in subparagraph *d* of the third paragraph of section 1029.8.33.13, is deemed to have paid an amount to the Minister, under that section, on account of the taxpayer’s tax payable under Part I for a particular taxation year shall, where, on or before the day that is 12 months after the taxpayer’s filing-due date for that particular year, part or all of the aggregate of the indemnities pertaining to the annual leave which constitutes the qualified expenditure has not been paid to the employees, pay, for the taxation year in which the 12-month period following the taxpayer’s filing-due date for the particular taxation year ends, a tax equal to

(a) where a percentage was applied for the particular year to reduce the qualified expenditure under section 1029.8.33.13, the product obtained by multiplying the aggregate of part or all of the indemnities that have not been paid and the amount payable under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12 in relation to the indemnities, by that percentage; and

(b) in any other case, the aggregate described in paragraph *a*.

“1129.41.3.2. Every taxpayer who is a member of a partnership and who, in relation to the taxpayer’s share of a qualified expenditure referred to in subparagraph *d* of the fourth paragraph of section 1029.8.33.14, is deemed to have paid an amount to the Minister, under that section, on account of the taxpayer’s tax payable under Part I for a particular taxation year in which a particular fiscal period of the partnership ended shall, where, on or before the day that is 18 months after the end of the particular fiscal period, part or all of the aggregate of the indemnities pertaining to the annual leave which constitutes the qualified expenditure has not been paid to the employees, pay, for the taxation year in which the 18-month period following the end of the particular fiscal period ends, a tax equal to the taxpayer’s share of

(a) where a percentage was applied for the particular fiscal period to reduce the qualified expenditure under section 1029.8.33.14, the product obtained by multiplying the aggregate of part or all of the indemnities that have not been paid and the amount payable under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12 in relation to the indemnities, by that percentage; and

(b) in any other case, the aggregate described in paragraph *a*.”

(2) Subsection 1 has effect from 12 June 2003.

473. Section 1129.45.3.7 of the said Act is amended

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

“(a) where the corporation pays, in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the corporation in its base period for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.2, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and”;

(2) by replacing the portion of paragraph *b* before subparagraph ii by the following:

“(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the other corporation in its base period for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.3, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business in the Québec area for its taxation year in which the preceding calendar year ended, the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and”;

(3) by replacing paragraphs *c* to *f* by the following paragraphs:

“(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the other corporation for its base period, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.4 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year, in this paragraph referred to as the “particular group”, and with which the corporation was associated at that time, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation for the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.4 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.4 had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount paid, in a calendar year preceding the particular calendar year, by a member corporation of the particular group and is a repayment of assistance, relating to such a salary or wages, to which this subparagraph has applied;

“(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.2 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than a salary or wages paid in the base period of the corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.2 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied;

“(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.3 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business in the Québec area for its taxation year in which the preceding calendar year ended, other than a salary or wages paid in the base period of the other corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied; and

“(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.4 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than salary or wages paid in the base period of the other corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation for the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.3 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.4 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.4

had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied.”

474. (1) Section 1129.45.3.11 of the said Act is amended by striking out “, taking into account the second paragraph of that section,” wherever it appears in the following provisions of the first paragraph:

- the portion of subparagraph *c* before subparagraph ii;
- the portion of subparagraph *f* before subparagraph ii.

(2) Subsection 1 has effect from 1 January 2000.

475. Section 1129.45.3.15 of the said Act is amended

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

“(a) where the corporation pays, in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the corporation in its base period for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.30, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and”;

(2) by replacing the portion of paragraph *b* before subparagraph ii by the following:

“(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the other corporation in its base period for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.31, determined in respect of the corporation,

that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business in the Angus Technopole for its taxation year in which the preceding calendar year ended, the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and”;

(3) by replacing paragraphs *c* to *f* by the following paragraphs:

“(c) where any other corporation pays, in the particular calendar year ending in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the other corporation for its base period for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.32 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year, in this paragraph referred to as the “particular group”, and with which the corporation was associated at that time, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation for the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.32 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.32 had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount paid, in a calendar year preceding the particular calendar year, by a member corporation of the particular group and is a repayment of assistance relating to such a salary or wages to which this subparagraph has applied;

“(d) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing

the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.30 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than salary or wages paid in the base period of the corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.30 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied;

“(e) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.31 determined in respect of the corporation, in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business in the Angus Technopole for its taxation year in which the preceding calendar year ended, other than salary or wages paid in the base period of the other corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied; and

“(f) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to the salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.32 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that

were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than salary or wages paid in the base period of the other corporation in relation to that preceding calendar year, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation for the preceding calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.31 in respect of the corporation in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.32 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.32 had been attributed to a corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied.”

476. Section 1129.45.3.19 of the said Act is amended by striking out “, taking into account the second paragraph of that section,” wherever it appears in the following provisions of the first paragraph:

— the portion of subparagraph *c* before subparagraph ii;

— the portion of subparagraph *f* before subparagraph ii.

477. (1) The heading of Part III.10.1.6 of the said Act is replaced by the following heading:

“SPECIAL TAX RELATING TO THE CREDITS FOR
THE DEVELOPMENT OF THE FIELDS OF BIOTECHNOLOGY
AND NUTRACEUTICALS”.

(2) Subsection 1 has effect from 1 January 2002.

478. (1) Section 1129.45.3.22 of the said Act is amended, in the first paragraph,

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

““eligible employee” has the meaning assigned by the first paragraph of section 1029.8.36.72.56;”;

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

““eligibility period” has the meaning assigned by section 1029.8.36.72.56;”.

(2) Subsection 1 has effect from 1 January 2002.

479. (1) The said Act is amended by inserting the following section after section 1129.45.3.22:

“1129.45.3.22.1. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under Division II.6.6.5 of Chapter III.1 of Title III of Book IX of Part I, on account of its tax payable under Part I for any taxation year, shall pay for a particular taxation year a tax equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have so paid to the Minister, under that division, in relation to the salaries or wages, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the salaries or wages for a taxation year preceding the particular year, if in the particular year, Investissement Québec revokes a qualification certificate issued to the corporation in relation to the recognized business for the purposes of that division.”

(2) Subsection 1 has effect from 1 January 2002.

480. (1) Section 1129.45.3.23 of the said Act is replaced by the following section:

“1129.45.3.23. Every corporation that, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to have paid an amount to the Minister, under Division II.6.6.5 of Chapter III.1 of Title III of Book IX of Part I, on account of the corporation’s tax payable under Part I for any taxation year, shall pay, for a particular taxation year, a tax equal to 40% of the aggregate of the following amounts, except where section 1129.45.3.22.1 applies in relation to the salaries or wages for the particular taxation year or a preceding taxation year:

(a) where the corporation pays, in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.57 or 1029.8.36.72.61.1, determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in its respect, that relates to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(*b*) where any other corporation pays, in the particular calendar year ending in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the aggregate of all amounts each of which is the amount by which the amount referred to in that subparagraph *a*, determined in respect of the corporation in relation to a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to that subparagraph *a* in respect of the corporation in relation to that preceding calendar year if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(*c*) where any other corporation pays, in the particular calendar year ending in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, in relation to the recognized business, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each

other at the end of that preceding calendar year and with which the corporation was associated at that time, the aggregate of all amounts each of which is the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation for a calendar year preceding the particular calendar year, exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.59 or 1029.8.36.72.61.3 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. 100/40 of the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(*d*) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that is included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.57 or 1029.8.36.72.61.1 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than salary or wages paid in respect of the base period of the corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.57 or 1029.8.36.72.61.1 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied;

(*e*) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the particular amount referred

to in subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 determined in respect of the corporation, in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business, other than salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the particular amount exceeds the aggregate of

i. the amount that would have been determined under subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation in relation to that preceding calendar year if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied; and

(*f*) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that is included in computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than salary or wages paid in respect of the base period of the other corporation in relation to the recognized business, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation for the preceding calendar year exceeds the aggregate of

i. the amount that would have been determined pursuant to subparagraph *a* of the first paragraph of section 1029.8.36.72.58 or 1029.8.36.72.61.2 in respect of the corporation, in relation to that preceding calendar year if, for the purposes of paragraph *a* of section 1029.8.36.72.59 or 1029.8.36.72.61.3 in relation to that preceding calendar year, each of the amounts that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.59 or 1029.8.36.72.61.3 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated in a preceding taxation year, in relation to the salary or wages, to which this subparagraph has applied.

For the purposes of subparagraphs *d* to *f* of the first paragraph, where Investissement Québec revokes in the particular taxation year the qualification certificate issued, for the purposes of Division II.6.6.5 of Chapter III.1 of Title III of Book IX of Part I, to the corporation in relation to an eligible employee for a pay period in a calendar year within its eligibility period, in relation to a recognized business, the amount of the salary or wages paid by a corporation to that employee is deemed to be refunded to the corporation in the particular taxation year.”

(2) Subsection 1 has effect from 1 January 2002. However, where the second paragraph of section 1129.45.3.23 of the said Act applies before 1 January 2003, it shall be read with the reference to “pay” struck out.

481. (1) Section 1129.45.3.28 of the said Act is amended by striking out “, taking into account the second paragraph of that section,” wherever it appears in the following provisions of the first paragraph:

— the portion of subparagraph *c* before subparagraph ii;

— the portion of subparagraph *f* before subparagraph ii.

(2) Subsection 1 has effect from 1 January 2001.

482. (1) The said Act is amended by inserting the following after section 1129.45.3.30:

“PART III.10.1.7.1

**“SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION
IN THE RESOURCE REGIONS, IN THE ALUMINUM VALLEY AND IN
THE GASPÉSIE AND CERTAIN MARITIME REGIONS OF QUÉBEC**

“1129.45.3.30.1. In this Part,

“base period” has the meaning assigned by the first paragraph of section 1029.8.36.72.82.1;

“eligibility period” has the meaning assigned by section 1029.8.36.72.82.1;

“eligible employee” has the meaning assigned by the first paragraph of section 1029.8.36.72.82.1;

“Minister” means the Minister of Revenue;

“recognized business” has the meaning assigned by the first paragraph of section 1029.8.36.72.82.1;

“salary or wages” has the meaning assigned by the first paragraph of section 1029.8.36.72.82.1;

“taxation year” has the meaning assigned by Part I.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

“1129.45.3.30.2. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3, on account of its tax payable under Part I, for any given taxation year, shall pay, for a particular taxation year, where Investissement Québec revokes in the particular year a qualification certificate issued, in relation to a calendar year that ended in the given taxation year, to the corporation in relation to a recognized business for the purposes of Division II.6.6.6.1 of Chapter III.1 of Title III of Book IX of Part I, a tax equal to the amount by which the amount that the corporation is deemed to have so paid to the Minister, under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3, for the given taxation year, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have so paid to the Minister, under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3, for the given taxation year if the revoked qualification certificate had not been issued to the corporation by Investissement Québec and if the period specified in any qualification certificate issued to the corporation in relation to an employee whose duties relate directly to activities of the corporation described in the revoked qualification certificate, were adjusted to take the revocation into account; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in relation to the given taxation year, for a taxation year preceding the particular year.

“1129.45.3.30.3. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.72.82.2 or 1029.8.36.72.82.3, on account of its tax payable under Part I, for any taxation year, shall pay, for a particular taxation year, a tax equal to the aggregate of the following amounts, except where section 1129.45.3.30.2 applies in respect of the corporation in relation to that taxation year:

(a) where the corporation pays, in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the corporation in respect of its base period, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2,

determined in its respect, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.2 on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.2 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if each of the amounts of assistance paid in respect of the salary or wages had been reduced by any amount paid by the corporation, in respect of such an amount of assistance, as repayment in the particular taxation year or a preceding taxation year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(b) where any other corporation pays, in the particular calendar year ending in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the other corporation in respect of its base period, for the purpose of computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3, determined in respect of the corporation, that relates to a calendar year preceding the particular calendar year ending in the particular taxation year at the end of which the corporation was not associated with any qualified corporation carrying on a recognized business for its taxation year in which the preceding calendar year ended, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.3 on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if the aggregate of all amounts each of which is an amount of assistance paid in respect of the salary or wages had been reduced by the aggregate of all amounts each of which is an amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or a preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(c) where the corporation pays, in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the corporation in respect of its base period for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.82.4 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.3 on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if, for the purposes of paragraph *a* of section 1029.8.36.72.82.4 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.82.4 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(d) where any other corporation pays, in the particular calendar year ending in the particular taxation year, 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 the amount of the salary or wages paid to an employee by the other corporation in respect of the base period of a qualified corporation that is a member of a group of associated corporations referred to in section 1029.8.36.72.82.4, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.82.4 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were a member of the group at the end of that preceding calendar year and with which the corporation was associated at that time, the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.72.82.3, on account of its tax payable under Part I for a taxation year in which a calendar year preceding the particular calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3, with reference to the second

paragraph of that section, on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if, for the purposes of paragraph *a* of section 1029.8.36.72.82.4 in relation to that preceding calendar year, each of the amounts of assistance in respect of the salary or wages had been reduced by any amount paid, in respect of such an amount of assistance, as repayment in the particular calendar year or in a preceding calendar year, and if the amount determined pursuant to section 1029.8.36.72.82.4 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this Part for a taxation year preceding the particular taxation year, in relation to a repayment of government assistance or non-government assistance that reduced the amount of such a salary or wages;

(*e*) where, in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by the corporation, that are included in computing the particular amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.2 determined in respect of the corporation in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than salary or wages paid in respect of the base period of the corporation, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by it, the amount by which the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.2 on account of its tax payable under Part I for a taxation year in which the preceding calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.2 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this subparagraph for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated, in relation to the salary or wages;

(*f*) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that are included in computing the amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.72.82.3 determined in respect of the corporation in relation to a calendar year preceding the particular calendar year at the end of which the corporation was not associated with any other qualified corporation carrying on a recognized business, other than salary or wages paid in respect of the base period of the corporation, is, directly or indirectly, refunded or otherwise paid to the other corporation or

allocated to a payment to be made by it, the amount by which the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.3 on account of its tax payable under Part I for a taxation year in which the preceding calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received by the corporation in the preceding calendar year and attributable to such a salary or wages, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this subparagraph for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated, in relation to the salary or wages; and

(g) where, in the particular calendar year ending in the particular taxation year, an amount, in relation to a salary or wages paid to an employee by any other corporation, that are included in computing the excess amount referred to in paragraph *a* of section 1029.8.36.72.82.4 that relates to a calendar year preceding the particular calendar year, in respect of all the corporations that were associated with each other at the end of that preceding calendar year and with which the corporation was associated at that time, other than salary or wages paid in respect of the base period of any of the associated corporations, is, directly or indirectly, refunded or otherwise paid to the other corporation or allocated to a payment to be made by it, the amount by which the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.72.82.3 on account of its tax payable under Part I for a taxation year in which the preceding calendar year ends, exceeds the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.72.82.3 on account of its tax payable under Part I for the taxation year in which the preceding calendar year ends in respect of the corporation, in relation to the preceding calendar year, if, for the purposes of paragraph *a* of section 1029.8.36.72.82.4 in relation to the preceding calendar year, every amount that was so refunded, paid or allocated at or before the end of the particular taxation year, in relation to the salary or wages, had been government assistance received in the preceding calendar year and attributable to such a salary or wages, and if the amount determined pursuant to section 1029.8.36.72.82.4 had been attributed to the corporation in the same proportion as that determined in its respect in relation to the preceding calendar year, and

ii. the aggregate of all amounts each of which is a tax paid by the corporation under this subparagraph for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated, in relation to the salary or wages.

For the purposes of subparagraphs *e* to *g* of the first paragraph, where Investissement Québec revokes in the particular taxation year the qualification certificate issued, for the purposes of Division II.6.6.6.1 of Chapter III.1 of Title III of Book IX of Part I, to the corporation in relation to an eligible employee for a pay period of a calendar year within the corporation's eligibility period, the amount of the salary or wages paid to the employee by a corporation is deemed to be refunded to the corporation in the particular taxation year.

“1129.45.3.30.4. For the purposes of Part I, except Division II.6.6.6.1 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a recognized business, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the salaries or wages pursuant to a legal obligation.

“1129.45.3.30.5. Except where inconsistent with this Part, 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, section 1029.8.36.72.82.7 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.”

(2) Subsection 1 has effect from 1 January 2003.

483. (1) Section 1129.45.3.31 of the said Act is amended, in the first paragraph,

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

““eligible employee” has the meaning assigned by the first paragraph of section 1029.8.36.72.83;”;

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

““eligibility period” has the meaning assigned by section 1029.8.36.72.83;”.

(2) Subsection 1 has effect from 1 January 2002.

484. (1) Section 1129.45.3.33 of the said Act is amended

(1) by striking out “, taking into account the second paragraph of that section,” wherever it appears in the following provisions of the first paragraph:

— the portion of subparagraph *c* before subparagraph ii;

— the portion of subparagraph *f* before subparagraph ii;

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

“For the purposes of subparagraphs *d* to *f* of the first paragraph, where Investissement Québec revokes in the particular taxation year the qualification certificate issued, for the purposes of Division II.6.6.7 of Chapter III.1 of Title III of Book IX of Part I, to the corporation in relation to an eligible employee for a pay period in a calendar year within the corporation’s eligibility period, in relation to a recognized business, the amount of the salary or wages paid by a corporation to that employee is deemed to be refunded to the corporation in the particular taxation year.”

(2) Paragraph 1 has effect from 1 January 2002. However, where the second paragraph of section 1129.45.3.33 of the said Act applies before 1 January 2003, it shall be read with the reference to “pay” struck out.

485. (1) Section 1129.45.43 of the said Act is amended by replacing the portion of the second paragraph before subparagraph *b* by the following:

“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 1029.8.36.168 or 1029.8.36.170 or under any of sections 1029.8.36.171.1, 1029.8.36.171.2 and 1029.8.36.173, in relation to the eligible expenses, 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 1029.8.36.168 or 1029.8.36.170 or under any of sections 1029.8.36.171.1, 1029.8.36.171.2 and 1029.8.36.173, in relation to the eligible expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular year; and”.

(2) Subsection 1 has effect from 21 August 2002.

486. (1) Section 1129.45.44 of the said Act is amended, in the second paragraph,

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

“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 section 1029.8.36.169 or 1029.8.36.171 or under any of sections 1029.8.36.171.1, 1029.8.36.171.2, 1029.8.36.174 and 1029.8.36.175, in relation to the eligible expenses, if the corporation’s share of the income or loss of the partnership for that preceding fiscal period were the same as the corporation’s share 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 section 1029.8.36.169 or 1029.8.36.171 or under any of sections 1029.8.36.171.1, 1029.8.36.171.2, 1029.8.36.174 and 1029.8.36.175, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible expenses, if”;

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

“ii. the corporation’s share of the income or loss of the partnership for that preceding fiscal period were the same as the corporation’s share for the fiscal period of repayment; and”.

(2) Subsection 1 has effect from 21 August 2002.

487. (1) The said Act is amended by inserting the following after section 1129.45.45:

“PART III.10.11

“SPECIAL TAX RELATING TO QUALIFIED PATRONAGE DIVIDENDS OF COOPERATIVES

“1129.45.46. In this Part,

“Minister” means the Minister of Revenue;

“qualification certificate” means the qualification certificate referred to in the definition of “qualified cooperative” in section 726.27;

“qualified patronage dividend” of a cooperative means a patronage dividend issued by the cooperative in the form of a preferred share received after 21 February 2002 and before 1 January 2013 by a member of the cooperative;

“taxation year” has the meaning assigned by Part I.

“1129.45.47. Where, in a taxation year, the Minister of Economic and Regional Development and Research revokes a qualification certificate issued to a cooperative for a particular taxation year, the cooperative shall pay for the year a tax equal to 10% of the amount that is the aggregate of the qualified patronage dividends it paid in the particular year.

“1129.45.48. Except where inconsistent with this Part, 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, with the necessary modifications, to this Part.”

(2) Subsection 1 has effect from 22 February 2002. However, where section 1129.45.47 of the said Act applies

(1) in respect of qualification certificates revoked after 28 April 2003 and before 23 March 2004, the reference therein to “Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Economic and Regional Development”;

(2) in respect of qualification certificates revoked before 29 April 2003, the reference therein to “Minister of Economic and Regional Development and Research” shall be read as a reference to “Minister of Industry and Trade”.

488. (1) Section 1130 of the said Act, amended by section 205 of chapter 8 of the statutes of 2004, is again amended by replacing the definition of “eligible activities” by the following definition:

““eligible activities” means eligible activities within the meaning assigned by the first paragraph of any of sections 737.18.6, 737.18.14 and 737.18.29, as the case may be;”.

(2) Subsection 1 has effect from 1 January 2001.

489. (1) Section 1137 of the said Act is amended by replacing “Minister of Economic and Regional Development” in the portion of paragraph *b.2* before subparagraph *i* and in the portion of paragraph *b.2.1* before subparagraph *i* by “Minister of Economic and Regional Development and Research”.

(2) Subsection 1 has effect from 23 March 2004.

490. (1) Section 1137.5 of the said Act is amended by replacing the portion before subparagraph *a* of the first paragraph by the following:

“**1137.5.** The property to which paragraphs *b.3* and *b.4* of section 1137 refer is any property, other than property acquired pursuant to an obligation in writing entered into before 26 March 1997 or, where applicable, the construction of which, by or on behalf of the purchaser, had begun by 25 March 1997, that is acquired after 25 March 1997 and before 13 June 2003, or after 12 June 2003 and before 13 June 2004 if the property is acquired pursuant to an obligation in writing entered into before 13 June 2003 or, where applicable, if the construction of the property, by or on behalf of the purchaser, had begun before 13 June 2003, and that is”.

(2) Subsection 1 has effect from 13 June 2003.

491. (1) The said Act is amended by inserting the following section after section 1137.7:

“**1137.8.** For the purposes of this Part, where, at any time after 11 June 2003, control of a corporation that is a member of a partnership that carries on,

at that time, a recognized business is acquired by a person or group of persons, otherwise than under the circumstances described in the second paragraph, the definition of “base period” in section 1130 shall be read as follows:

““base period” means a base period within the meaning that would be assigned by section 737.18.6 if subparagraph *b* of the first paragraph of section 737.18.9.2 were read as follows:

“(b) where the recognized business is carried on by the partnership, the base period applicable to the partnership, in respect of the eligible activities of the recognized business, is deemed, for the purpose of computing the amount of tax payable under Part IV by the corporation for the taxation year that includes that time and for a subsequent taxation year, to end at that time.””

The first paragraph does not apply if acquiring control of the corporation

i. occurs after 11 June 2003 and before 1 July 2004 where the Minister of Finance certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

ii. is by a corporation carrying on at that time a recognized business, or by a group of persons all the members of which are corporations carrying on at that time a recognized business, or

iii. derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003.”

(2) Subsection 1 has effect from 12 June 2003.

492. (1) Section 1138.0.1 of the said Act is replaced by the following section:

“1138.0.1. A qualified corporation, within the meaning of sections 771.5 to 771.7, for a taxation year may deduct in computing its paid-up capital for that year, after the application of section 1138, an amount equal to 75% of the lesser of

(a) its paid-up capital for that year, established after the application of section 1138 and without reference to the percentage of 75% mentioned in sections 57 to 60 of the Act respecting international financial centres (chapter C-8.3); and

(b) \$3,000,000.

Notwithstanding the first paragraph, the amount deductible by such a corporation in computing its paid-up capital under this section, for its taxation year that includes the last day of its exemption period, within the meaning of the first paragraph of section 771.1, is equal to such proportion of the amount

that, but for this paragraph, would be determined under the first paragraph that the number of days in the year included in that exemption period is of the number of days in the year.”

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 1138.0.1 of the said Act applies to such a taxation year that includes that date, it shall be read as follows:

“1138.0.1. A qualified corporation, within the meaning of sections 771.5 to 771.7, for a taxation year may deduct in computing its paid-up capital for that year, after the application of section 1138, an amount equal to the aggregate of

(a) the proportion of \$3,000,000 that the number of days in the year that precede 13 June 2003 and that are included in the corporation’s exemption period, within the meaning of the first paragraph of section 771.1, is of the number of days in the year; and

(b) the proportion of 75% of the lesser of the following amounts that the number of days in the year that follow 12 June 2003 and that are included in that exemption period is of the number of days in the year:

i. the corporation’s paid-up capital for that year, established after the application of section 1138 and without reference to the percentage mentioned in sections 57 to 60 of the Act respecting international financial centres (chapter C-8.3), and

ii. \$3,000,000.”

493. (1) Section 1138.2.3 of the said Act is amended by replacing the formula provided for in the first paragraph by the following formula:

“(75% × A) × {1 – [(B – \$20,000,000) / \$10,000,000]}.”

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 1138.2.3 of the said Act applies to taxation years that include 12 June 2003, it shall be read

(1) with the formula provided for in the first paragraph replaced by the following formula:

“(A × B) + [75% × (A × C)] × [1 – (D / \$10,000,000)].”;;

(2) with subparagraph *b* of the second paragraph replaced by the following subparagraph:

“(b) B is the proportion that the number of days in the year that precede 13 June 2003 is of the number of days in the year;”; and

(3) with the following subparagraphs added after subparagraph *b* of the second paragraph:

“(c) C is the proportion that the number of days in the year that follow 12 June 2003 is of the number of days in the year; and

“(d) D is the amount by which the greater of \$20,000,000 and the paid-up capital attributed to the corporation for the year determined in accordance with section 737.18.24 exceeds \$20,000,000.”

494. (1) Section 1138.2.4 of the said Act is amended by replacing the first paragraph by the following paragraph:

“1138.2.4. A corporation that is a qualified corporation for a taxation year, for the purposes of Title VII.2.6 of Book IV of Part I, may deduct from its paid-up capital otherwise determined for the year under this Title, an amount equal to 75% of the aggregate of all amounts each of which is, in relation to a recognized business of the corporation, the proportion of the amount that would be the corporation’s paid-up capital otherwise determined for the year under this Title if such capital were established on the sole basis of the financial statements referred to in subparagraph *b* of the second paragraph in relation to the recognized business, that the number of days in the year that are in the exemption period applicable to the corporation is of the number of days in the year.”

(2) Subsection 1 applies to taxation years of corporations that end after 12 June 2003. However, where the percentage of 75%, provided for in the first paragraph of section 1138.2.4 of the said Act, is to be applied to the corporation’s paid-up capital for such a taxation year of the corporation that includes 12 June 2003, the percentage of 75% shall be replaced by the total of

(1) the percentage obtained by multiplying 100% by the proportion that the number of days in the taxation year that precede 13 June 2003 during which the corporation carries on the recognized business is of the number of days in the taxation year during which the corporation carries on the recognized business; and

(2) the percentage obtained by multiplying 75% by the proportion that the number of days in the taxation year that follow 12 June 2003 during which the corporation carries on the recognized business is of the number of days in the taxation year during which the corporation carries on the recognized business.

495. (1) Section 1141.2.2 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) permanent shares, any participating interest in the nature of a permanent share and any other capital share that are issued and that are not held by another savings and credit union; and”.

(2) Subsection 1 applies to taxation years that end after 30 June 2001.

496. (1) Section 1141.2.3 of the said Act is amended by striking out “used by the savings and credit union”.

(2) Subsection 1 applies to taxation years that end after 9 May 1996. However, it does not apply in respect of cases pending before the courts on 14 March 2000 and notices of objection served on the Minister of Revenue on or before that date, where one of the subjects of the contestation is based on the non-inclusion, expressly invoked on or before that date in the motion of appeal or the notice of objection previously served on the Minister of Revenue, or in the notice of objection, as the case may be, of the value of an asset that is tangible property in computing the paid-up capital of a corporation.

497. (1) Section 1141.2.4 of the said Act is replaced by the following section:

“1141.2.4. A savings and credit union may deduct in computing its paid-up capital for a taxation year any amount determined in respect of the savings and credit union under section 57 of the Act respecting international financial centres (chapter C-8.3), in relation to an international financial centre.”

(2) Subsection 1 applies to taxation years that end after 11 June 2003. However, where section 1141.2.4 of the said Act applies to such taxation years that include that date, it shall be read as follows:

“1141.2.4. A savings and credit union may deduct in computing its paid-up capital for a taxation year the amount obtained by multiplying \$300,000 by the proportion that the number of days in the taxation year that precede 12 June 2003 is of the number of days in the taxation year and any amount determined in respect of the savings and credit union under section 57 of the Act respecting international financial centres (chapter C-8.3), in relation to an international financial centre.”

498. (1) Section 1141.3 of the said Act is replaced by the following section:

“1141.3. A corporation referred to in this Title that is a qualified corporation, within the meaning of sections 771.5 to 771.7, for a taxation year may deduct in computing its paid-up capital for that year an amount equal to 75% of the lesser of

(a) its paid-up capital for that year, established without reference to this section and without reference to the percentage of 75% mentioned in sections 57 to 60 of the Act respecting international financial centres (chapter C-8.3); and

(b) \$3,000,000.

Notwithstanding the first paragraph, the amount deductible by such a corporation in computing its paid-up capital under this section, for its taxation year that includes the last day of its exemption period, within the meaning of the first paragraph of section 771.1, is equal to such proportion of the amount that, but for this paragraph, would be determined under the first paragraph that the number of days in the year included in that exemption period is of the number of days in the year.”

(2) Subsection 1 applies to taxation years that end after 12 June 2003. However, where section 1141.3 of the said Act applies to such a taxation year that includes that date, it shall be read as follows:

“1141.3. A corporation referred to in this Title that is a qualified corporation, within the meaning of sections 771.5 to 771.7, for a taxation year may deduct in computing its paid-up capital for that year an amount equal to the aggregate of

(a) the proportion of \$3,000,000 that the number of days in the year that precede 13 June 2003 and that are included in the corporation’s exemption period, within the meaning of the first paragraph of section 771.1, is of the number of days in the year; and

(b) the proportion of 75% of the lesser of the following amounts that the number of days in the year that follow 12 June 2003 and that are included in that exemption period is of the number of days in the year:

i. the corporation’s paid-up capital for that year, established without reference to this section and without reference to the percentage mentioned in sections 57 to 60 of the Act respecting international financial centres (chapter C-8.3), and

ii. \$3,000,000.”

499. (1) Sections 1141.4 to 1141.7 of the said Act are repealed.

(2) Subsection 1 applies to taxation years that begin after 11 June 2003. In addition, where section 1141.4 of the said Act applies to taxation years that end after that date, the reference therein to “of \$500,000,000” shall be read as a reference to “equal to the product obtained by multiplying \$500,000,000 by the proportion that the number of days in the taxation year that precede 12 June 2003 is of the number of days in the taxation year”.

500. (1) Section 1159.3 of the said Act is amended by striking out “, 1141.4” in subparagraph i of subparagraph *a* of the first paragraph and in subparagraph i of subparagraph *a* of the second paragraph.

(2) Subsection 1 applies to taxation years that begin after 11 June 2003.

501. (1) Section 1176 of the said Act is amended by striking out “wood chips,” in paragraph *e*.

(2) Subsection 1 applies in respect of logging operations carried out in taxation years that end after 19 December 2002.

502. (1) Section 1177 of the said Act is amended by adding the following paragraph:

“Where a taxpayer is deemed, under a provision of Part I, to have disposed of a property described in subparagraph *c* of the first paragraph, the taxpayer is deemed, for the purposes of that subparagraph *c* and section 1178, to have sold it.”

(2) Subsection 1 applies in respect of property that a taxpayer is deemed to dispose of after 19 December 2002.

503. (1) Section 1178 of the said Act is amended

(1) by replacing “in paragraph *a* of section 1177, his” in subparagraph *i* of paragraph *a* by “in subparagraph *a* of the first paragraph of section 1177, the taxpayer’s”;

(2) by replacing “in paragraph *b* of section 1177, his” in subparagraph *ii* of paragraph *a* by “in subparagraph *b* of the first paragraph of section 1177, the taxpayer’s”;

(3) by replacing “in paragraph *c* of section 1177, his” in subparagraph *iii* of paragraph *a* by “in subparagraph *c* of the first paragraph of section 1177, the taxpayer’s”;

(4) by replacing “in paragraph *d* of section 1177, his” in subparagraph *iv* of paragraph *a* by “in subparagraph *d* of the first paragraph of section 1177, the taxpayer’s”;

(5) by replacing “of paragraph *d* of section 1177” in paragraph *b* by “of subparagraph *d* of the first paragraph of section 1177”.

(2) Subsection 1 has effect from 20 December 2002.

ACT RESPECTING THE MINISTÈRE DU REVENU

504. (1) Section 1 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by replacing “real estate” in the English text of paragraph *a* by “property”.

(2) Subsection 1 has effect from 22 October 1999.

505. (1) Section 12.0.2 of the said Act, amended by section 18 of chapter 4 of the statutes of 2004, is again amended by striking out subparagraph *e* of the first paragraph.

(2) Subsection 1 applies in respect of notices of assessment sent after 31 October 2004.

506. (1) Section 13 of the said Act is amended by striking out the last sentence of the second paragraph.

(2) Subsection 1 applies in respect of notices of assessment sent after 31 October 2004.

507. (1) Section 17.0.1 of the said Act is amended by replacing “, 21.0.1 and 27.0.1” in the portion before subparagraph *a* of the first paragraph by “and 21.0.1”.

(2) Subsection 1 applies in respect of notices of assessment sent after 31 October 2004.

508. (1) Section 27.0.1 of the said Act, amended by section 21 of chapter 4 of the statutes of 2004, is replaced by the following section:

“**27.0.1.** Where a notice of assessment is sent to a person, the duties, interest and penalties mentioned in the notice and still outstanding are payable to the Minister as soon as that notice is sent even if the assessment is the subject of an objection, an appeal or a summary appeal.”

(2) Subsection 1 applies in respect of notices of assessment sent after 31 October 2004.

509. (1) Section 27.0.2 of the said Act is repealed.

(2) Subsection 1 applies in respect of notices of assessment sent after 31 October 2004.

510. (1) Section 27.3 of the said Act is amended by replacing “the expiry of the time limit for payment prescribed by section 27.0.1 or 27.0.2” in the first paragraph by “the day on which the notice of assessment was sent”.

(2) Subsection 1 applies in respect of notices of assessment sent after 31 October 2004.

511. (1) Section 28.2 of the said Act, amended by section 22 of chapter 4 of the statutes of 2004, is again amended by replacing “prescribed in the first or second paragraph, whichever applies, of section 27.0.1” in the first paragraph by “limit determined by the Minister and mentioned in the notice of assessment”.

(2) Subsection 1 applies in respect of notices of assessment sent after 31 October 2004.

512. Section 59.5.8 of the said Act is amended by replacing the portion before paragraph *a* by the following:

“**59.5.8.** Where an employee, other than a specified employee within the meaning of section 1 of the Taxation Act (chapter I-3), works for the other person, the following rules apply:”.

513. (1) Section 93.2 of the said Act, amended by section 140 of chapter 9 of the statutes of 2001, is again amended by replacing paragraph *e* of the English text by the following paragraph:

“(e) the determination of a property tax refund under the Act respecting property tax refund (chapter R-20.1);”.

(2) Subsection 1 has effect from 22 October 1999.

514. (1) Section 94.0.3.2 of the said Act is amended by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) C is the amount by which the first rate referred to, in respect of the taxation year, in the portion of paragraph *d.2* of subsection 1 of section 771 of the Taxation Act before subparagraph *i*, exceeds the second rate referred to, in respect of the year, in that portion of that paragraph *d.2*.”

(2) Subsection 1 applies to taxation years that begin after 11 June 2003.

515. (1) Section 94.5 of the said Act is amended by replacing “real estate” in the English text of the second paragraph by “property”.

(2) Subsection 1 has effect from 22 October 1999.

516. Section 96 of the said Act is amended by adding the following subparagraph after subparagraph *e* of the first paragraph:

“(f) the prescribed offices of a political division of a foreign State, the members of those offices and the members of their families.”

ACT RESPECTING THE RÉGIE DE L'ASSURANCE MALADIE DU QUÉBEC

517. (1) Section 33 of the Act respecting the Régie de l'assurance maladie du Québec (R.S.Q., chapter R-5) is amended by replacing the definition of “employer exemption” in the first paragraph by the following definition:

““employer exemption”, at a particular time, means the amount by which \$700,000, where the employer’s taxation year that includes the particular time is not less than 51 weeks, or, in any other case, the proportion of \$700,000 that the number of days in that taxation year is of 365, exceeds the aggregate of the wages and amounts that are paid or deemed to be paid by the employer in that taxation year and before the particular time each of which is wages or an amount that, in a proportion of 75%, are not the object, because of the fifth paragraph of section 34, of a contribution payable under that section;”.

(2) Subsection 1 has effect from 13 June 2003. However, where the definition of “employer exemption” in the first paragraph of section 33 of the said Act applies to a particular time subsequent to 12 June 2003 and included in a taxation year that includes that date, the reference therein to “of 75%” shall be read as a reference to “of 100% or 75%, as the case may be;”.

518. (1) Section 34 of the said Act is amended

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

“However, where the employer is an eligible employer at the time the wages or amount are paid or deemed to be paid, where that time is included in the employer’s exemption period and where the wages are not wages that would not be wages because of paragraph *a* of the definition of “wages” in the first paragraph of section 33 if section 64 of the Act respecting international financial centres (chapter C-8.3) were read with “75%” in the first paragraph replaced by “100%” and without reference to the second paragraph thereof, no contribution is payable under this section in respect of 75% of the portion of the wages or amount that does not exceed the amount by which the employer exemption at that time exceeds the aggregate of the other wages or amounts paid or deemed to be paid at that time by the employer, and each of which is wages or an amount in respect of which, in a proportion of 75%, no contribution is payable under this section by reason of this paragraph.”;

(2) by replacing “salary or the amount is paid or deemed to be paid in the year and in the exemption period of the qualified corporation, no contribution is payable under this section in respect of the proportion of the salary or amount that is equal to the proportion determined” in the portion of the sixth paragraph before subparagraph *a* by “wages or the amount is paid or deemed to be paid in the year and in the exemption period of the qualified corporation, no contribution is payable under this section in respect of the amount obtained by multiplying 75% of the wages or amount by the proportion determined”;

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

“In addition, no contribution is payable under this section

(*a*) in respect of the wages or amount paid or deemed to be paid by an employer that is an exempt employer at the time the wages or amount are paid or deemed to be paid if that time is included in the employer’s eligibility period;

(b) in respect of the wages or amount paid or deemed to be paid by an employer that carries on a recognized business, within the meaning of section 1029.8.36.0.38 of the Taxation Act, at the time of payment or deemed payment, comprised in the base period in relation to the recognized business, of the wages or amount to one of the employees if, for the pay period comprised in the base period in respect of which the wages or amount relate, the employee spends 75% or more of working time performing duties within the international trade zone, within the meaning of that section, in the course of the recognized business;

(c) in respect of the wages or amount paid or deemed to be paid by an employer that carries on a business that is referred to in section 1029.8.36.0.38.1 of the Taxation Act, at the time of payment or deemed payment, comprised in the base period in relation to the business, of the wages or amount to one of the employees if, for the pay period comprised in the base period in respect of which the wages or amount relate, the employee spends 75% or more of working time performing duties relating to the business activities that, because of section 1029.8.36.0.38.2 of that Act, are deemed to be carried on within the international trade zone;

(d) in respect of the wages or amount paid or deemed to be paid by an employer where the wages or amount are paid or deemed to be paid to an employee in relation to the part of the working time of the employee devoted to eligible activities of the employer, in relation to a major investment project of the employer, within the meaning assigned to those expressions by section 737.18.14 of the Taxation Act, and are paid or deemed to be paid for a pay period within a particular period covered by a qualification certificate issued by the Minister of Finance, in relation to the major investment project, in respect of a year; and

(e) in respect of 3/4 of the wages or amount paid or deemed to be paid by an employer where the wages or amount are paid or deemed to be paid to an employee of the employer that is a qualified corporation, within the meaning of section 737.18.29 of the Taxation Act, in relation to the recognized business that the employer carries on, for a pay period comprised in the exemption period, within the meaning of section 737.18.29, applicable to that qualified corporation, and where the employer encloses the prescribed form containing the prescribed information with the information return referred to in section 3 of the Regulation respecting contributions to the Québec Health Insurance Plan that the employer is required to file for the year.”

(2) Subsection 1 applies in respect of wages or amounts paid or deemed to be paid after 12 June 2003.

519. (1) Section 34.1.4 of the said Act is amended

(1) by replacing “the individual’s share” in subparagraph ii of paragraph *a* and subparagraph i of paragraph *b* by “22.5% of the individual’s share”;

(2) by replacing “opère” in the French text of subparagraph i of paragraph *b* by “exploite”;

(3) by inserting the following subparagraph after subparagraph iv.1 of paragraph *b*:

“iv.2. where the individual is referred to in section 737.18.34 of the Taxation Act, that part of the aggregate determined under paragraph *a* that can reasonably be considered to entitle the individual to a deduction under that section in computing the individual’s taxable income for the year;”.

(2) Paragraph 1 of subsection 1 applies to years of individuals that end after 20 October 2000. However, where an individual is a member of a partnership that, in a fiscal period of the partnership that ends in such a year of the individual and includes 12 June 2003 or ends before that date, operates an international financial centre, subparagraph ii of paragraph *a* and subparagraph i of paragraph *b* of section 34.1.4 of the said Act shall, for the application of that section to that year of the individual and in relation to the individual’s share of the income or loss of the partnership for that fiscal period, be read with

(1) where the fiscal period includes 20 October 2000 or ends before that date, the percentage of 22.5% replaced by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 21 October 2000 is of the number of days in the fiscal period, and

(b) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that follow 20 October 2000 is of the number of days in the fiscal period; and

(2) where the fiscal period begins after 20 October 2000, the percentage of 22.5% replaced by the total of

(a) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 22.5% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre.

(3) Paragraph 3 of subsection 1 applies from the year 2000.

520. (1) Section 34.1.6 of the said Act is amended by replacing “\$11,000” in subparagraph *a* of the first paragraph by “\$11,500”.

(2) Subsection 1 applies from the year 2002.

521. (1) The said Act is amended by inserting the following sections after section 34.1.6:

“34.1.6.1. Each of the amounts referred to in the third paragraph shall, where it is to be used for a year subsequent to the year 2002, be adjusted annually in such a manner that the amount used for that year is equal to the total of the amount used for the preceding year and the product obtained by multiplying that amount so used by the percentage determined by the formula

$$(A / B) - 1.$$

In the formula provided for in the first paragraph,

(a) A is the average Consumer Price Index for Québec for the 12-month period that ended on 30 September of the year preceding that for which an amount is to be adjusted; and

(b) B is the average Consumer Price Index for Québec for the 12-month period that ended on 30 September of the year next before the year preceding that for which the amount is to be adjusted.

The amounts to which the first paragraph refers are

(a) the amount of \$11,500 mentioned in subparagraph *a* of the first paragraph of section 34.1.6; and

(b) the amount of \$40,000, wherever it is mentioned in the first paragraph of section 34.1.6.

Where the amount that results from the adjustment provided for in the first paragraph is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.

“34.1.6.2. Notwithstanding section 34.1.6.1, each of the amounts referred to in the third paragraph of that section shall, where it is to be used for the year 2004, be adjusted in such a manner that the amount used for that year is equal to the total of the amount used for the year 2003 and the product obtained by multiplying that amount so used by 2%.

Where the amount that results from the adjustment provided for in the first paragraph is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.”

(2) Subsection 1, where it enacts section 34.1.6.1 of the said Act, applies from the year 2003 and, where it enacts section 34.1.6.2 of the said Act, applies from the year 2004.

522. (1) Section 37.4 of the said Act is amended, in subparagraph *a* of the first paragraph,

(1) by replacing subparagraphs i to iv by the following subparagraphs:

“i. \$12,040 where, for the year, the individual has no eligible spouse and no dependent child,

“ii. \$19,510 where, for the year, the individual has no eligible spouse but has one dependent child,

“iii. \$22,220 where, for the year, the individual has no eligible spouse but has more than one dependent child,

“iv. \$19,510 where, for the year, the individual has an eligible spouse but has no dependent child, and”;

(2) by replacing subparagraphs 1 and 2 of subparagraph v by the following subparagraphs:

“(1) \$22,220 where the individual has one dependent child for the year, or

“(2) \$24,720 where the individual has more than one dependent child for the year; and”.

(2) Subsection 1 applies from the year 2003.

ACT RESPECTING PROPERTY TAX REFUND

523. (1) The Act respecting property tax refund (R.S.Q., chapter R-20.1) is amended by inserting the following section after section 1.3:

“**1.3.1.** Notwithstanding section 1.3, each of the amounts referred to in the third paragraph of that section shall, where it is to be used for the year 2004, be adjusted in such a manner that the amount used for that year is equal to the total of the amount used for the year 2003 and the product obtained by multiplying that amount so used by 2%.”

(2) Subsection 1 applies in respect of computing property tax refunds for the year 2004 and subsequent years.

524. (1) Section 1.4 of the said Act is replaced by the following section:

“1.4. Where the amount that results from the adjustment provided for in section 1.3 or 1.3.1 is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.”

(2) Subsection 1 applies in respect of computing property tax refunds for the year 2004 and subsequent years.

ACT RESPECTING INCOME SUPPORT, EMPLOYMENT ASSISTANCE AND SOCIAL SOLIDARITY

525. (1) Section 79.5 of the Act respecting income support, employment assistance and social solidarity (R.S.Q., chapter S-32.001) is amended by adding the following paragraph:

“The family’s net total income may also be increased, in the cases, on the conditions and in the manner prescribed by regulation, where a person of that family has deducted an amount for the year from the family’s total income under Title VI of Book III of Part I of the Taxation Act (chapter I-3).”

(2) Subsection 1 applies from the year 2003.

526. (1) Section 158 of the said Act is amended, in the first paragraph,

(1) by inserting “the first paragraph of” before “section 79.5” in subparagraph 9;

(2) by inserting the following subparagraph after subparagraph 9:

“(9.1) prescribing, for the purposes of the second paragraph of section 79.5, the cases in which, the conditions according to which and the manner in which the family’s net total income may be increased;”.

(2) Subsection 1 applies from the year 2003.

ACT RESPECTING THE QUÉBEC SALES TAX

527. Section 17.0.2 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) is amended by replacing “second paragraph of section 55.0.3” in the portion before paragraph 1 by “third paragraph of section 55.0.3”.

528. Section 55.0.3 of the said Act is amended by replacing the portion before the second paragraph by the following:

“55.0.3. Where section 55.0.1 applies to the supply of a road vehicle that is damaged or shows unusual wear and at the time of the supply the recipient provides the person mentioned in the second paragraph with a written estimate of the vehicle or of the repairs to be carried out in respect of

the vehicle, the estimated value of the vehicle described in section 55.0.2 may be reduced by an amount equal to

(1) the amount by which that value exceeds the value of the vehicle stated in the written estimate; or

(2) the amount by which the value stated in the written estimate of the repairs to be carried out in respect of the vehicle exceeds \$500.

The person referred to in the first paragraph is

(1) in the case of a supply under section 20.1, the Minister or a person prescribed for the purposes of section 473.1;

(2) in the case of a supply of a motor vehicle by way of retail sale, the supplier of the vehicle and, as the case may be, the Minister or a person prescribed for the purposes of section 473.1.1; and

(3) in any other case, the supplier of the vehicle.”

529. (1) Section 203 of the said Act is amended by adding the following paragraph after paragraph 3:

“(4) a supply or bringing into Québec of property or a service that is acquired or brought into Québec, in the circumstances set out in section 345.2, in respect of the consumption by an individual of food or beverages or in respect of the enjoyment by the individual of entertainment.”

(2) Subsection 1 applies in respect of the tax payable in relation to the supply of food, beverages or entertainment, where that tax becomes due or is paid without having become due after 12 June 2003.

530. (1) Section 292 of the said Act is amended by adding the following paragraph at the end:

“(5) section 287.3 applied in relation to the property that is a motor vehicle.”

(2) Subsection 1 has effect from 1 May 1999.

531. (1) Section 352.1 of the said Act is amended by striking out “or a tobacco product” in the portion before paragraph 1.

(2) Subsection 1 has effect from 23 June 1998.

532. Section 402.3 of the said Act is amended by replacing “second” in paragraph 3 by “third”.

533. (1) Section 408 of the said Act is amended by striking out “and subject to subparagraph i of subparagraph *b* of subparagraph 2 of the first paragraph of section 411”.

(2) Subsection 1 has effect from 12 March 2003.

534. (1) Section 411 of the said Act is amended

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

“i. services to be performed in Québec,”;

(2) by striking out the second paragraph.

(2) Subsection 1 has effect from 12 March 2003.

535. (1) Section 417 of the said Act is amended by replacing “section” in the portion before subparagraph 1 of the first paragraph by “section 407.4 or”.

(2) Subsection 1 has effect from 2 February 2000.

536. (1) Section 447 of the said Act is amended by replacing the portion before paragraph 1 by the following:

“**447.** Where a particular person has, during a reporting period, charged to, or collected from, another person an amount as or on account of tax under section 16, other than the amount charged or collected under section 473.1.1, in excess of the tax that was collectible by the particular person from the other person, the particular person may, within two years after the day the amount was so charged or collected,”.

(2) Subsection 1 has effect from 21 February 2000.

537. (1) The said Act is amended by inserting the following sections after section 457.1.2:

“**457.1.3.** For the purposes of this section and sections 457.1.4 to 457.1.6,

“amount paid in a remote location” means an amount paid or payable by a registrant, in a particular fiscal year, in respect of a supply of property or a service relating to the consumption by an individual of food or beverages in a place that is at least 40 kilometres from the permanent establishment of the registrant at which the individual ordinarily works, or to which the individual ordinarily reports, in the performance of the individual’s duties in relation to the activities related to the establishment of the registrant, to the extent that the food or beverages are consumed in the course of activities of the registrant

that ordinarily entail that an individual works in a place so remotely located from the permanent establishment;

“appropriate reporting period” means the reporting period determined under section 457.1.6;

“business” has the meaning assigned by section 1 of the Taxation Act (R.S.Q., chapter I-3);

“fiscal year” has the meaning assigned by section 458.1;

“gross revenue” has the meaning assigned by section 1 of the Taxation Act;

“property” has the meaning assigned by section 1 of the Taxation Act;

“taxation year” has the meaning assigned by section 1 of the Taxation Act.

“457.1.4. A registrant shall, in determining the net tax for the appropriate reporting period of the registrant, add the amount determined by the formula provided for in section 457.1.5 where

(1) an amount, other than an amount paid in a remote location, is an expense incurred by the registrant to earn income from a business or property in a taxation year (in this section referred to as the “composite amount”) and

(a) becomes due from the registrant, or is a payment made by the registrant without having become due in respect of a supply of property or a service made to the registrant, or

(b) is paid by the registrant as an allowance or reimbursement in respect of which the registrant is deemed under section 211 or 212 to have received a supply of property or a service;

(2) section 421.1 of the Taxation Act (R.S.Q., chapter I-3) applies, or would apply if the registrant were a taxpayer under that Act, to all of the composite amount or that part of it that is, for the purposes of that Act, an amount paid or payable in respect of the consumption by an individual of food or beverages or in respect of the enjoyment by the individual of entertainment and deems the composite amount or that part of it to be 50% of a particular amount;

(3) the particular amount exceeds the amount determined under the second paragraph; and

(4) tax included in the composite amount or deemed under section 211 or 212 to have been paid by the registrant is included in determining an input tax refund in respect of the property or service that is claimed by the registrant in a return for a reporting period in a fiscal year of the registrant.

For the purposes of this section, the determined amount to which subparagraph 3 of the first paragraph refers is equal

(1) where the registrant carries on a business of selling, as an intermediary, property included in the inventory of another person, to the amount determined by the formula

$$1\% \times [(A - B) + B/C] \times 2; \text{ and}$$

(2) in any other case, to the amount determined by the formula

$$1\% \times A \times 2.$$

For the purposes of these formulas,

(1) A is or would be, if the registrant were a taxpayer under section 1 of the Taxation Act, the amount, for the taxation year, of the registrant's gross revenue from the business or property;

(2) B is or would be, if the registrant were a taxpayer under the Taxation Act, the amount of the commissions or other similar amounts determined by reference to the sales made by the registrant, as an intermediary, of property included in the inventory of another person that are included, for the taxation year, in determining the income from the registrant's business, for the purposes of that Act; and

(3) C is or would be, if the registrant were a taxpayer under the Taxation Act, the average percentage used in computing the commissions or other similar amounts determined by reference to the sales made by the registrant, as an intermediary, of property included in the inventory of another person that are included, for the taxation year, in determining the income from the registrant's business, for the purposes of that Act.

The first paragraph does not apply to charities or public institutions.

“457.1.5. For the purposes of section 457.1.4, the amount that a registrant shall add in determining the net tax for the appropriate reporting period of the registrant is determined by the formula

$$50\% \times [(A - B) / C] \times D.$$

For the purposes of this formula,

(1) A is the particular amount referred to in subparagraph 2 of the first paragraph of section 457.1.4;

(2) B is the amount determined under the second paragraph of section 457.1.4;

(3) C is the composite amount referred to in subparagraph 1 of the first paragraph of section 457.1.4; and

(4) D is the amount of the input tax refund claimed by the registrant, in a fiscal year, in relation to the composite amount.

“457.1.6. Where a registrant is required under section 457.1.4 to add, in determining the registrant’s net tax, an amount determined by reference to an input tax refund claimed by the registrant in a return for a reporting period in a particular fiscal year, the appropriate reporting period is

(1) where the registrant ceases to be registered under Division I of Chapter VIII in a reporting period ending in the particular fiscal year, that reporting period;

(2) where the registrant’s reporting period is the registrant’s fiscal year, the reporting period that is the later of

(a) the particular fiscal year, and

(b) the fiscal year in which the taxation year referred to in subparagraph 1 of the first paragraph of section 457.1.4 ends;

(3) where the registrant’s reporting period is the registrant’s fiscal quarter, the reporting period that begins immediately after the later of

(a) the particular fiscal year, and

(b) the fiscal year in which the taxation year referred to in subparagraph 1 of the first paragraph of section 457.1.4 ends; and

(4) where the registrant’s reporting period is the registrant’s fiscal month, the registrant’s fifth reporting period that begins immediately after the later of

(a) the particular fiscal year, and

(b) the fiscal year in which the taxation year referred to in subparagraph 1 of the first paragraph of section 457.1.4 ends.”

(2) Subsection 1 applies in respect of the tax payable in relation to the supply of food, beverages or entertainment, where that tax becomes due or is paid without having become due in a taxation year, within the meaning of the Taxation Act (R.S.Q., chapter I-3), that ends after 12 June 2003. However, where section 457.1.4 of the said Act, enacted by subsection 1, applies to taxation years that include 12 June 2003, the second and third paragraphs of that section shall be read as follows:

“For the purposes of this section, the determined amount to which subparagraph 3 of the first paragraph refers is equal

(1) where the registrant carries on a business of selling, as an intermediary, property included in the inventory of another person, to the amount determined by the formula

$$A + 1\% \times [(B - C) + C/D] \times 2; \text{ and}$$

(2) in any other case, to the amount determined by the formula

$$A + 1\% \times B \times 2.$$

For the purposes of these formulas,

(1) A is the amount obtained by multiplying the particular amount by the proportion that the number of days in the year that precede 13 June 2003 is of the number of days in that year;

(2) B is the amount obtained by multiplying the amount that is or would be, if the registrant were a taxpayer under section 1 of the Taxation Act, the amount, for the taxation year, of the registrant's gross revenue from the business or property by the proportion that the number of days in the year that follow 12 June 2003 is of the number of days in that year;

(3) C is the amount obtained by multiplying the amount that is or would be, if the registrant were a taxpayer under the Taxation Act, the amount of the commissions or other similar amounts determined by reference to the sales made by the registrant, as an intermediary, of property included in the inventory of another person that are included, for the taxation year, in determining the income from the registrant's business, for the purposes of that Act by the proportion that the number of days in the year that follow 12 June 2003 is of the number of days in that year; and

(4) D is or would be, if the registrant were a taxpayer under the Taxation Act, the average percentage used in computing the commissions or other similar amounts determined by reference to the sales made by the registrant, as an intermediary, of property included in the inventory of another person that are included, for the taxation year, in determining the income from the registrant's business, for the purposes of that Act."

538. (1) Section 457.2 of the said Act is amended

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

"457.2. Where a registrant who is an individual has claimed, in a return for a reporting period in a fiscal year, an input tax refund in respect of property or a service that is acquired or brought into Québec for consumption or use in relation to the maintenance of a self-contained domestic establishment that includes a work space described in subparagraph *a* or *b* of paragraph 1.1 of section 203, an amount that is 50% of the refund claimed shall be added in determining the registrant's net tax";

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

“For the purposes of this section, “fiscal year” has the meaning assigned by section 458.1.”;

(3) by adding the following paragraphs after the second paragraph:

“For the purposes of this section, property or a service acquired or brought into Québec for consumption or use in relation to the maintenance of a self-contained domestic establishment includes property or a service relating to the maintenance, repair or improvement of the establishment but does not include the electricity, gas, fuel or steam used in lighting or heating the establishment.

“This section does not apply to an input tax refund claimed

(1) in respect of property or a service acquired or brought into Québec for exclusive consumption or use in relation to the work space; or

(2) in relation to the operation of a tourist accommodation establishment that is a tourist home, bed and breakfast establishment or participating establishment in a hospitality village, within the meaning of the regulations made under the Act respecting tourist accommodation establishments (chapter E-14.2) where the registrant holds a classification certificate of the appropriate class issued under that Act, or is a participant in a hospitality village referred to in such a certificate.”

(2) Paragraph 1 of subsection 1 applies in respect of the supply or bringing into Québec of property or a service, where the tax relating to that supply or bringing into Québec becomes payable in a fiscal period, within the meaning of the Taxation Act (R.S.Q., chapter I-3), that ends after 14 March 2000.

In addition, where the tax relating to the supply or bringing into Québec of property or a service becomes payable in a fiscal period, within the meaning of the Taxation Act, that begins after 9 May 1996 and ends before 15 March 2000, the portion of the first paragraph of section 457.2 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) before subparagraph 1, replaced by paragraph 1 of subsection 1, shall be read as follows:

“**457.2.** An amount that is 50% of the total of all amounts each of which is an input tax refund claimed, in respect of a supply or bringing into Québec of property or a service that is acquired or brought into Québec by a registrant who is an individual for consumption or use in relation to a work space described in subparagraph *a* or *b* of paragraph 1.1 of section 203, other than property or a service that relates exclusively to the work space, in a return for a reporting period in a fiscal year of the registrant shall be added in determining the registrant’s net tax”.

(3) Paragraph 2 of subsection 1 has effect from 10 May 1996.

(4) Paragraph 3 of subsection 1, where it enacts the third paragraph of section 457.2 of the said Act, applies in respect of the supply or bringing into Québec of property or a service where the tax relating to that supply or bringing into Québec becomes payable in a fiscal period, within the meaning of the Taxation Act, that ends after 14 March 2000.

(5) Paragraph 3 of subsection 1, where it enacts the portion of the fourth paragraph of section 457.2 of the said Act before subparagraph 2, applies in respect of the supply or bringing into Québec of property or a service where the tax relating to that supply or bringing into Québec becomes payable in a fiscal period, within the meaning of the Taxation Act, that ends after 14 March 2000.

(6) Paragraph 3 of subsection 1, where it enacts the fourth paragraph of section 457.2 of the said Act, except for subparagraph 1 thereof, applies in respect of the supply or bringing into Québec of property or a service where the tax relating to that supply or bringing into Québec becomes payable in a fiscal period, within the meaning of the Taxation Act, that begins after 9 May 1996.

(7) Where under section 457.2 of the said Act, as it read before the amendments made by subsections 1 and 2, a registrant, other than a registrant who is an individual, has added an amount in determining the registrant's net tax, is entitled to a rebate of the amount if the registrant files an application for a rebate within two years after the date of assent to this Act.

(8) Where under section 457.2 of the said Act, as it read before the amendments made by subsections 1 and 2, a registrant who is an individual has added an amount in determining the registrant's net tax in respect of property or a service acquired or brought into Québec for exclusive consumption or use in relation to a work space described in subparagraph *a* or *b* of paragraph 1.1 of section 203 of the said Act, is entitled to a rebate of that amount if the registrant files an application for a rebate within two years after the date of assent to this Act.

539. (1) Section 473.1.1 of the said Act is amended by replacing the second paragraph by the following paragraph:

“The prescribed person shall, as a mandatary of the Minister, collect the tax payable by the taxpayer in respect of the supply and indicated by the supplier, in accordance with section 425.1, and give the taxpayer the document required for the purposes of this Title to substantiate a claim by the taxpayer for a rebate in respect of the supply, certifying that tax under section 16 has been paid.”

(2) Subsection 1 applies in respect of supplies all or part of the consideration for which becomes due after 20 February 2000 and is not paid before 21 February 2000. However, it does not apply in respect of any part of the consideration that becomes due or was paid before 21 February 2000.

540. (1) Section 529 of the said Act is amended by striking out “, in prescribed form and in the prescribed cases,”.

(2) Subsection 1 has effect from 1 July 1992.

541. (1) Section 541.23 of the said Act is amended

(1) by replacing “a sleeping-accommodation unit” wherever it appears in the English text of the definitions of “customer” and “overnight stay” by “an accommodation unit”;

(2) by replacing “sleeping-accommodation unit” in the English text of the definition of “sleeping-accommodation unit” by “accommodation unit”;

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

““operator of a sleeping-accommodation establishment” means a person who carries on the activities relating to the operation of a sleeping-accommodation establishment;”.

(2) Paragraphs 1 and 2 of subsection 1 have effect from 1 December 2001.

(3) Paragraph 3 of subsection 1 has effect from 10 October 2003.

542. (1) Section 541.24 of the said Act is amended by replacing “a sleeping-accommodation unit” in the English text by “an accommodation unit”.

(2) Subsection 1 has effect from 1 December 2001.

543. (1) Section 541.25 of the said Act

(1) is amended by replacing “a sleeping-accommodation unit” wherever it appears in the English text by “an accommodation unit”;

(2) is replaced by the following section:

“541.25. The operator of a sleeping-accommodation establishment or the intermediary who receives an amount from a customer for the supply of an accommodation unit referred to in section 541.24 shall, as a mandatary of the Minister, collect the tax at that time.

The operator of a sleeping-accommodation establishment or the intermediary who receives an amount from a person other than a customer for the supply of such an accommodation unit shall, as a mandatary of the Minister, collect, at that time, an amount equal to the tax.”

(2) Paragraph 1 of subsection 1 has effect from 1 December 2001.

(3) Paragraph 2 of subsection 1 has effect from 10 October 2003.

544. (1) Section 541.26 of the said Act is amended by replacing “a sleeping-accommodation unit” wherever it appears in the English text by “an accommodation unit”.

(2) Subsection 1 has effect from 1 December 2001.

545. (1) Section 541.27 of the said Act is amended by replacing “a sleeping-accommodation unit” in the English text of the first paragraph by “an accommodation unit”.

(2) Subsection 1 has effect from 1 December 2001.

546. (1) Section 541.32 of the said Act is amended by replacing “a sleeping-accommodation unit” in the English text by “an accommodation unit”.

(2) Subsection 1 has effect from 1 December 2001.

547. (1) Title IV.3 of the said Act is repealed.

(2) Subsection 1 has effect from 1 January 2004.

548. (1) Section 678 of the said Act is amended by striking out “not” in the English text of the second paragraph.

(2) Subsection 1 has effect from 1 July 1992.

ACT RESPECTING INTERNATIONAL FINANCIAL CENTRES

549. (1) Section 76 of the Act respecting international financial centres (1999, chapter 86) is amended by adding the following paragraph in section 733.0.1 of the Taxation Act (R.S.Q., chapter I-3), enacted by subsection 3:

“However, where the taxation year of the taxpayer ends after 20 October 2000 and the taxpayer is a trust that is a member of a partnership operating an international financial centre in its fiscal period ending in that taxation year, subparagraph *a* of the first paragraph shall, for the application of that paragraph to that taxation year in relation to the taxpayer’s share of the income or loss of the partnership for that fiscal period, be read with “the taxpayer’s share” replaced by “30% of the taxpayer’s share”; however, the percentage of 30%

shall be replaced, if the fiscal period includes 20 October 2000 or ends before that date, by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 21 October 2000 is of the number of days in the fiscal period; and

(b) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that follow 20 October 2000 is of the number of days in the fiscal period.”

(2) Subsection 1 has effect from 20 December 1999.

550. (1) Section 77 of the said Act is amended by replacing subsection 5 by the following subsection:

“(5) In addition, where section 737.13.1 of the said Act applies,

(1) after 31 December 1997, to taxation years that end after that date and before 24 June 1998, it shall be read as if “in the first paragraph of” and “; in the case of a prescribed transaction, such transaction” were replaced by “in” and “an international transaction prescribed for the purposes of paragraph *b* of that definition”, respectively, and, after 31 March 1998, as if “the separate place referred to” were replaced by “the place referred to”;

(2) after 31 December 1997, to taxation years or fiscal periods that end after 23 June 1998, it shall, subject to subsection 6, be read as follows:

“737.13.1. The conditions set out in paragraphs *c* and *d* of the definition of “international financial centre” in section 737.13 in respect of an international financial centre of a corporation or partnership shall not be considered not satisfied merely because an international transaction prescribed for the purposes of paragraph *b* of that definition was initiated by a client who, for that purpose, went to an office or branch of the corporation or partnership other than the place referred to in that paragraph *d* in respect of the international financial centre.”;

(3) before 1 January 1998, to taxation years that end after 31 December 1994 and before 24 June 1998, it shall be read as if “; in the case of a prescribed transaction, such transaction” were replaced by “an international transaction prescribed for the purposes of paragraph *b* of that definition”;

(4) to taxation years that end before 1 January 1995, it shall be read as if “; in the case of a prescribed transaction, such transaction” were replaced by “an international transaction prescribed for the purposes of paragraph *b* of that section”.

(2) Subsection 1 has effect from 20 December 1999.

551. (1) Section 78 of the said Act is amended

(1) by inserting the following paragraph after the first paragraph of section 737.14 of the Taxation Act (R.S.Q., chapter I-3), enacted by paragraph 2 of subsection 3:

“However, where the taxation year of the person ends after 20 October 2000 and the person is a trust that is a member of a partnership that operates an international financial centre in its fiscal period that ends in that taxation year, subparagraphs *a* and *b* of the first paragraph shall, for the purposes of that paragraph in that taxation year in relation to the person’s share of the income or loss of the partnership for that fiscal period, be read with “the person’s share” replaced by “30% of the person’s share”; however, the percentage of 30% shall be replaced, if the fiscal period includes 20 October 2000 or ends before that date, by the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 21 October 2000 is of the number of days in the fiscal period; and

(b) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that follow 20 October 2000 is of the number of days in the fiscal period.”;

(2) by replacing “second paragraph” in the portion of subsection 4 before paragraph 1 by “third paragraph”.

(2) Subsection 1 has effect from 20 December 1999.

552. (1) Section 81 of the said Act is amended by adding the following paragraph after the second paragraph of section 737.17 of the Taxation Act (R.S.Q., chapter I-3), enacted by subsection 3:

“Where the taxation year of the person ends after 20 October 2000 and the person is a trust that is a member of a partnership that operates an international financial centre in its fiscal period that ends in that taxation year, the second paragraph shall, for its application to that taxation year in relation to the person’s share of the income or loss of the partnership for that fiscal period, be read with “any income or loss from the operations of an international financial centre operated by the person or partnership in the year or the fiscal period, as the case may be” replaced by “30% of the person’s share of any income or loss from the operations of an international financial centre operated by the partnership in the fiscal period”; however, the percentage of 30% shall be replaced, if the fiscal period includes 20 October 2000 or ends before that date, the total of

(a) the percentage obtained by multiplying 100% by the proportion that the number of days in the fiscal period that precede 21 October 2000 is of the number of days in the fiscal period; and

(b) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that follow 20 October 2000 is of the number of days in the fiscal period.”

(2) Subsection 1 has effect from 20 December 1999.

ACT GIVING EFFECT TO THE BUDGET SPEECH DELIVERED
ON 1 NOVEMBER 2001, TO THE SUPPLEMENTARY STATEMENT OF
19 MARCH 2002 AND TO CERTAIN OTHER BUDGET STATEMENTS

553. (1) Section 52 of the Act giving effect to the Budget Speech delivered on 1 November 2001, to the supplementary statement of 19 March 2002 and to certain other budget statements (2003, chapter 9) is amended by replacing subsection 2 by the following subsection:

“(2) Subsection 1 applies from the taxation year 2003. In addition, where Title VI.6 of Book IV of Part I of the said Act applies after 1 January 2001, the portion of the first paragraph of section 726.22 of the said Act before subparagraph *a* shall be read as follows:

“**726.22.** Subject to paragraph *h* of each of sections 737.22, 737.22.0.0.4, 737.22.0.0.8, 737.22.0.4 and 737.22.0.8, the amounts to which section 726.21 refers are the following:”

(2) Subsection 1 has effect from 10 December 2003.

554. (1) Section 391 of the said Act is amended by replacing subsection 2 by the following subsection:

“(2) Subsection 1 applies to taxation years that begin after 20 December 2001. In addition, where Part III.1.2 of the said Act applies in respect of property that ceases to be used in a taxation year that begins before 21 December 2001, section 1129.4.4.3 of the said Act shall be read as follows:

(a) with “water or of a major breakdown of the property” in the first paragraph replaced by “water, a major breakdown of the property or its obsolescence”; and

(b) with the following paragraph added after the third paragraph:

“For the purposes of the first paragraph, where, at any time, a corporation disposes of qualified property for proceeds of disposition equal to or greater than 10% of the cost of acquiring it, the corporation is deemed not to have

ceased to use, at that time, the property by reason of its obsolescence; in that respect, where the parties to the sale are not dealing with each other at arm's length, the proceeds of disposition of the property are deemed to be equal to its fair market value.””

(2) Subsection 1 has effect from 10 December 2003.

555. This Act comes into force on 3 November 2004.

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Abbreviations : **A**: Abrogated, **N**: New, **M**: Modified

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