

“(3) a trade in debt security which has a maturity date of not more than 365 days from its issue;”;

(3) by striking out, in paragraph 6, the following words “including redemption by a mutual fund of its own securities”;

(4) by adding, after paragraph 6, the following:

“(7) the redemption, or any other purchase, by an issuer of securities issued by it, as well as the sale of securities so redeemed or purchased.”.

**41.** The Regulation is amended by adding, after section 271.8, the following:

“**271.9** For the purpose of calculating the fees prescribed in section 271.7, all purchases of securities of the same class or series of an issuer, made by a dealer as principal on the same day, shall be deemed to be a single purchase and the same rule applies to sales.

**271.10** For the purpose of calculating the fees prescribed in section 271.7, all purchases of securities of the same class or series of an issuer, made by a dealer as agent on the same day and pursuant to one purchase order, shall be deemed to be a single purchase and the same rule applies to sales.”.

**42.** Section 283 is amended by substituting, in paragraph 1, the word “net” for the word “total”.

**43.** Schedule I is amended by substituting the figure “164” for “160” in the last subparagraph of paragraph “4. Other remuneration” of Item 22.

**44.** Schedule IV is amended by substituting the references to “paragraphs 1 and 2 of section 164 or of section 165 or 166” for the references “paragraphs 1 and 2 of section 160 or of section 161 or 162” in Item 9.1.

**45.** Schedule VI is amended by substituting the figure “164” for “160” in the last subparagraph of paragraph “4. Other remuneration” of Item 10.

**46.** Schedule VIII is amended by replacing, in the last paragraph of section 4 entitled “Other remuneration” in Item 6, the number “160” by the number “164”.

**47.** Schedule XV is amended by striking out, in the title, the word “audited”.

**48.** Schedule XVI to the Regulation is amended by substituting, in the first paragraph of Item 11, the words “offering memorandum” for the word “prospectus”.

**49.** This Regulation comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.

9551

Gouvernement du Québec

## O.C. 35-96, 10 January 1996

Taxation Act  
(R.S.Q., c. I-3)

### Regulation — Amendments

Regulation to amend the Regulation respecting the Taxation Act

WHEREAS under subparagraph *f* of the first paragraph of section 1086 of the Taxation Act (R.S.Q., c. I-3), the Government may make regulations to generally prescribe the measures required for the application of the Act;

WHEREAS the Regulation respecting the Taxation Act (R.R.Q., 1981, c. I-3, r. 1) was made under that Act;

WHEREAS the Taxation Act was amended by Chapter 77 of the Statutes of 1989 and by Chapter 59 of the Statutes of 1990 in order to implement fiscal measures announced on 30 April 1987, 18 December 1987, 12 May 1988, 30 June 1988 and 19 December 1989 by the Minister of Finance in Budget Speeches, in Minister’s Statements and in a press release;

WHEREAS it is expedient to amend the Regulation respecting the Taxation Act, principally in order to implement those fiscal measures of the Gouvernement du Québec;

WHEREAS under section 12 of the Regulations Act (R.S.Q., c. R-18.1), a proposed regulation may be made without prior publication as provided for in section 8 of that Act if the authority making it is of the opinion that the fiscal nature of the norms established, amended or repealed therein warrants it;

WHEREAS under section 18 of that Act, a regulation may come into force on the date of its publication in the *Gazette officielle du Québec* where the authority that has made it is of the opinion that the fiscal nature of the norms established, amended or repealed therein warrants it;

WHEREAS the Government is of the opinion that the fiscal nature of the norms established, amended or repealed by the Regulation justifies the absence of prior publication and such coming into force;

WHEREAS under section 27 of the Regulations Act, a regulation may take effect before the date of its publication in the *Gazette officielle du Québec* where the Act under which it is made expressly provides therefor;

WHEREAS under the second paragraph of section 1086 of the Taxation Act, the regulations made under that Act may, once published and if they so provide, apply to a period prior to their publication, but not prior to the taxation year 1972;

IT IS ORDERED, therefore, on the recommendation of the Minister of Revenue:

THAT the Regulation to amend the Regulation respecting the Taxation Act, attached hereto, be made.

MICHEL CARPENTIER,  
*Clerk of the Conseil exécutif*

## Regulation to amend the Regulation respecting the Taxation Act

Taxation Act  
(R.S.Q., c. I-3, s. 1086, 1<sup>st</sup> par., subpar. f)

**1.** 1. The Regulation respecting the Taxation Act (R.R.Q., 1981, c. I-3, r. 1), amended by the Regulations made by Orders in Council 3211-81 dated 25 November 1981 (Suppl., p. 767), 3438-81 dated 9 December 1981 (Suppl., p. 789), 144-82 dated 20 January 1982 (Suppl., p. 790), 1544-82 dated 23 June 1982 (Suppl., p. 792), 2823-82 dated 1 December 1982, 2962-82 dated 15 December 1982, 227-83 dated 9 February 1983, 500-83 dated 17 March 1983, 2486-83 dated 30 November 1983, 2727-84 dated 12 December 1984, 2847-84 dated 19 December 1984, 491-85 dated 13 March 1985, 2508-85 dated 27 November 1985, 2509-85 dated 27 November 1985, 2583-85 dated 4 December 1985, 544-86 dated 23 April 1986, 1239-86 dated 13 August 1986, 1811-86 dated 3 December 1986, 1812-86 dated 3 December 1986, 7-87 dated 7 January 1987, 1472-87 dated 23 September 1987, 1875-87 dated 9 December 1987, 421-88 dated 23 March 1988, 615-88 dated 27 April 1988, 838-88 dated 1 June 1988, 1076-88 dated 6 July 1988, 1549-88 dated 12 October 1988, 1745-88 dated 23 November 1988, 1746-88 dated 23 November 1988, 1747-88 dated 23 November 1988, 1819-88 dated 7 December 1988, 1038-89 dated 28 June 1989, 1344-89 dated 16 August 1989, 1764-89 dated 15 November

1989, 140-90 dated 7 February 1990, 223-90 dated 21 February 1990, 291-90 dated 7 March 1990, 1666-90 dated 28 November 1990, 1797-90 dated 19 December 1990, 143-91 dated 6 February 1991, 538-91 dated 17 April 1991, 1025-91 dated 17 July 1991, 1232-91 dated 4 September 1991, 1471-91 dated 23 October 1991, 1589-91 dated 20 November 1991, 1114-92 dated 29 July 1992, 1697-92 dated 25 November 1992, 208-93 dated 17 February 1993, 868-93 dated 16 June 1993, 1114-93 dated 11 August 1993, 1539-93 dated 3 November 1993, 1646-93 dated 24 November 1993, 91-94 dated 10 January 1994, 366-94 dated 16 March 1994, 849-94 dated 8 June 1994, 1660-94 dated 24 November 1994, 1691-94 dated 30 November 1994, 473-95 dated 5 April 1995, 522-95 dated 12 April 1995 and 1562-95 dated 29 November 1995, is further amended by substituting the following for section 11R1:

“**11R1.** For the purposes of section 11 of the Act, a foreign business corporation means a foreign business corporation contemplated in subsection 4 of section 250 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.).”

2. Subsection 1 has effect from 1 December 1991.

**2.** 1. Section 21.19R1 is amended by substituting the following for subparagraph *c* of the second paragraph:

“(c) a registered labour-sponsored venture capital corporation within the meaning of section 204.8 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.).”

2. Subsection 1 has effect from 1 March 1994.

**3.** 1. Section 92.11R3 is amended by substituting the following for paragraph *b*:

“(b) the issuer of which is either a corporation described in paragraphs *b* to *d* of section 250.3 of the Act, a corporation described in subparagraph *ii* of paragraph *b* of the definition of the expression “retirement savings plan” provided for in subsection 1 of section 146 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.), a life insurance corporation, a registered charity or a corporation that is neither a mutual fund corporation nor a mortgage investment corporation, but whose principal activity consists in making loans;”

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**4.** 1. Section 104R1 is amended by substituting the following for paragraphs *a* and *b*:

“(a) “conversion” and “conversion cost” have the meaning assigned to them by subsection 21 of section 13 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.);

(b) “vessel” means a vessel as defined in the Canada Shipping Act (Revised Statutes of Canada (1985), c. S-9).”

2. Subsection 1, where it replaces paragraph *a* of section 104R1 of the Regulation respecting the Taxation Act, applies to a taxation year ending after 30 November 1991 and, where it replaces paragraph *b* of that section, has effect from 12 December 1988.

**5.** 1. Section 104R3 is amended by substituting the following for paragraph *a*:

“(a) if an amount at least equal to the proceeds of disposition is used by the taxpayer, before the month of May 1974 and during the taxation year in which he disposed of the vessel or within 4 months following the end of that taxation year, under the conditions provided for in subparagraph *i* of paragraph *a* of subsection 15 of section 13 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.), either for replacement of the vessel or to incur any conversion cost with respect to another vessel owned by the taxpayer; or”

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**6.** 1. Section 130R2 is amended

(1) by substituting the following for paragraph *f* of subsection 1:

“(f) “television commercial message” has the meaning assigned to it by subsection 2 of section 1104 of the Regulations made under the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.);”

(2) by substituting the following for subparagraph *i* of paragraph *m* of subsection 1:

“*i.* is incurred between 16 November 1978 and 1 January 1988 and after the mine has come into production in reasonable commercial quantities;”

(3) by substituting the words “hydrocarbures connexes” for the words “hydrocarbures apparentés” in the French text of paragraph *n* of subsection 1;

(4) by substituting the following for paragraph *a* of subsection 4:

“(a) “mine” includes a well for the extraction of material from a deposit of sylvite or halite, but does not include an oil or gas well, sand pit, gravel pit, clay pit, shale pit, peat bog, deposit of peat or stone quarry other than a deposit of bituminous sands, oil sands or oil shale or a kaolin pit;”

(5) by substituting the following for paragraph *d* of subsection 7:

“(d) operating an oil or gas well or extracting petroleum or natural gas from a natural accumulation of petroleum or natural gas;”

(6) by substituting the following for paragraph *a* of subsection 8:

“(a) “Canadian” means a Canadian citizen within the meaning of the Citizenship Act (Revised Statutes of Canada (1985), c. C-29) or a permanent resident within the meaning of the Immigration Act, 1976 (Statutes of Canada);”

2. Paragraphs 1 and 3 of subsection 1 apply to a taxation year ending after 30 November 1991.

3. Paragraphs 2 and 4 of subsection 1 apply from the 1988 taxation year.

4. Paragraph 5 of subsection 1 applies to a taxation year ending after 31 March 1985.

5. Paragraph 6 of subsection 1 has effect from 12 December 1988.

**7.** Section 130R87 is amended by substituting the following for paragraph *a* in the French text:

“(a) après le 25 mai 1976 et conçus principalement pour déterminer l’existence d’un gisement de pétrole ou de gaz naturel, à l’exception d’une ressource minérale, situer un tel gisement ou en déterminer l’étendue ou la qualité, ou pour forer un puits de pétrole ou de gaz; ou”

**8.** 1. Section 145R1 is amended

(1) by substituting the following for subparagraph *ii* of paragraph *a*:

“*ii.* a rental or a royalty paid or payable by the taxpayer and computed on the basis of the amount or the value of petroleum, natural gas or related hydrocarbons either produced after 31 December 1981 from a natural accumulation of petroleum or natural gas in Canada, other than a resource within the meaning of paragraph *k* of section 360R2, or from an oil or gas well in Canada,

or produced after 30 June 1988 from a resource within the meaning of that paragraph *k* that is a deposit of bituminous sands, oil sands or oil shale, other than an amount prescribed in section 91R1 or an amount that is a production royalty within the meaning of paragraph *j.1* of section 360R2; over”;

(2) by substituting the following for paragraph *b*:

“(b) the excess of the aggregate that would be determined under paragraph *b* of section 360R17, other than any part of that aggregate determined under subparagraph *v* of that paragraph following the disposition during the year of a property in circumstances giving rise to the application of section 360R7, over the aggregate that would be determined under paragraph *a* of section 360R17 in computing the earned depletion base of the taxpayer at the end of the year.”.

2. Paragraph 1 of subsection 1 applies in respect of a rental or a royalty computed on the basis of the amount or the value of petroleum, natural gas or related hydrocarbons produced after 30 June 1988. Notwithstanding the foregoing, where subparagraph *ii* of paragraph *a* of section 145R1 of the Regulation respecting the Taxation Act, made by that paragraph 1, applies to a taxation year ending before 1 December 1991, it shall be read with the words “hydrocarbures apparentés” being substituted for the words “hydrocarbures connexes” in the French text.

3. Paragraph 2 of subsection 1 applies to a taxation year ending after 17 February 1987.

**9.** 1. Section 145R1.1 is amended

(1) by substituting the words “Petroleum Incentives Program Act (Revised Statutes of Canada (1985), c. P-13)” for the words “Petroleum Incentives Program Act (Statutes of Canada)” in paragraph *a*;

(2) by substituting the following for paragraph *b*:

“(b) each amount which is included in the resource profits of the taxpayer for the year in respect of an oil business or a mining business and which is a rental or a royalty computed on the basis of the amount or the value of petroleum, natural gas or related hydrocarbons either produced after 31 December 1981 from a natural accumulation of petroleum or natural gas in Canada, other than a resource within the meaning of paragraph *k* of section 360R2, or from an oil or gas well in Canada, or produced after 30 June 1988 from a resource within the meaning of that paragraph *k* that is a deposit of bituminous sands, oil sands or oil shale, other than a production royalty within the meaning of paragraph *j.1* of section 360R2.”.

2. Paragraph 1 of subsection 1 has effect from 12 December 1988.

3. Paragraph 2 of subsection 1 applies in respect of a rental or a royalty computed on the basis of the amount or the value of petroleum, natural gas or related hydrocarbons produced after 30 June 1988. Notwithstanding the foregoing, where paragraph *b* of section 145R1.1 of the Regulation respecting the Taxation Act, made by that paragraph 2, applies to a taxation year ending before 1 December 1991, it shall be read with the words “hydrocarbures apparentés” being substituted for the words “hydrocarbures connexes” in the French text.

**10.** 1. Section 157R1 is amended by substituting the following for paragraphs *a* and *b*:

“(a) paragraph *a* of subsections 3.1 and 4 of section 164 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.) and any similar provision of a statute of a province other than Québec which provides for a tax similar to that provided for by the Income Tax Act;

(b) paragraph *a* of subsection 3.1 of section 91 of the Petroleum and Gas Revenue Tax Act (Revised Statutes of Canada (1985), c. P-12).”.

2. Subsection 1, where it replaces paragraph *a* of section 157R1 of the Regulation respecting the Taxation Act, applies to a taxation year ending after 30 November 1991 and, where it replaces paragraph *b* of that section 157R1, it has effect from 12 December 1988.

**11.** 1. The following is substituted for section 255R1:

“**255R1.** The amount contemplated in subparagraph *ii* of paragraph *h.1* of section 255 of the Act is the aggregate of each amount that the controlled foreign affiliate has included, in respect of the property contemplated in that paragraph *h.1*, for a taxation year commencing before the particular time contemplated in that section 255, in computing its foreign accrual property income, within the meaning of section 579R1, by reason of item C of the formula in the definition of the expression “foreign accrual property income” provided for in subsection 1 of section 95 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.).”.

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**12.** 1. The following is substituted for section 306.1R1:

**306.1R1.** For the purposes of section 306.1 of the Act, a prescribed transaction is a transaction to which paragraph *k* of subsection 1 of section 219 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.) applies.”

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**13.** 1. Section 333R1 is amended

(1) by substituting the following for paragraph *a*:

“(a) “exploration base” has the meaning given to it in sections 360R30 to 360R36;”;

(2) by substituting the following for paragraph *a.2*:

“(a.2) “oil and gas exploration base” has the meaning given to the expression “depletion for oil and gas exploration” in sections 360R16.10 to 360R16.16;”;

(3) by substituting the following for paragraph *c*:

“(c) “earned depletion” has the meaning given to it in sections 360R17 to 360R28.0.1;”;

(4) by substituting the word “que” for the word “qui” in the French text of paragraphs *c.1* and *f*.

2. Paragraphs 1 and 3 of subsection 1 apply to a taxation year ending after 17 February 1987.

3. Paragraph 4 of subsection 1 has effect from 20 April 1983.

**14.** 1. Section 359.2R1 is amended by substituting the following for the part preceding subparagraph *a* of the first paragraph:

“**359.2R1.** For the purposes of subparagraph *b* of the first paragraph of section 359.2 of the Act, a Canadian exploration and development overhead expense of a corporation is:”

2. Subsection 1 applies in respect of expenditures or expenses incurred after 28 February 1986.

**15.** 1. Section 359.4R1 is amended by substituting the following for the part preceding subparagraph *a* of the first paragraph:

“**359.4R1.** For the purposes of subparagraph *b* of the first paragraph of section 359.4 of the Act, a Canadian exploration and development overhead expense of a corporation is:”

2. Subsection 1 applies in respect of expenditures or expenses incurred after 28 February 1986.

**16.** 1. Section 360R2 is amended

(1) by substituting the following for paragraph *a.01*:

“(a.0.1) “property used for processing” means property that, before its acquisition by the taxpayer, was not used by a person with whom he was not dealing at arm’s length and that is either property included in Class 10 of Schedule B under paragraph *a* of subsection 2 of that Class or that would be so included therein if it were not for subparagraph *ii* of that paragraph *a*, or property included in that Class under paragraph *e* of that subsection 2 or that would be so included therein if it were not for subparagraph *iii* of that paragraph *e*;”;

(2) by inserting the following after paragraph *a.0.2*:

“(a.0.3) “development corporation” has the meaning assigned to it by section 363 of the Act;”;

(3) by substituting the following for paragraph *e.1*:

“(e.1) “Canadian oil and gas exploration expense” of a taxpayer means an expenditure incurred after 31 December 1980 and that would constitute a Canadian exploration expense of the taxpayer within the meaning of section 395 of the Act if that section were read with its paragraphs *c* and *c.1* being disregarded and if the reference in paragraph *d* of that section 395 to “expenses described in paragraphs *a* to *b.1*, *c* and *c.1*” and the reference in paragraph *e* of that section to “an expense described in paragraphs *a* to *c.1*” were replaced by a reference to “expenses described in paragraphs *a* to *b.2*”, except an expenditure that constitutes, under paragraph *b* of that section 395 where it is interpreted without taking into account the expenses incurred during the year or under subparagraph *ii* of paragraph *b.1* of that section, a Canadian exploration expense in respect of a qualified tertiary oil recovery project;”;

(4) by substituting the following for paragraph *f.2*:

“(f.2) “bituminous sands equipment” means property of a taxpayer that is included in Class 28 of Schedule B, or in Class 41 of that Schedule under subparagraph *a* of the first paragraph of that Class, and that he acquired after 10 April 1978 mainly for the purpose of earning or producing income from one or more mines located in a deposit of bituminous sands, oil sands or oil shale from which materials are extracted, but does not include a property included in one of those Classes by reason of the reference in that Class 28 to paragraph *m* of subsection 2 of Class 10 of Schedule B, or where it is a

property acquired before 17 November 1978 by reason of the reference, in clause *i* of subparagraph *d* of the first paragraph of that Class 28, to paragraph *f* of subsection 2 of that Class 10;”;

(5) by substituting the following for the part of paragraph *f.3* preceding subparagraph *i*:

“(f.3) “enhanced recovery material” means property of a taxpayer that is included in Class 10 of Schedule B under paragraph *d* of subsection 2 of that Class and that he acquired after 10 April 1978 and before 1 January 1981 in order to use it in the production of a volume of oil from a reservoir or a deposit of bituminous sands, oil sands or oil shale that he operates in Canada, that is greater than the volume that could be recovered using primary recovery techniques alone, but does not include property;”;

(6) by substituting the following for paragraph *f.4*:

“(f.4) “tertiary recovery equipment” means property of a taxpayer that is included, or would be included if it were not for Class 41 of Schedule B, in Class 10 of that Schedule under paragraph *d* of subsection 2 of that Class 10 and that he acquired after 31 December 1980 in order to use it in a qualified tertiary oil recovery project, but does not include property that he has already used for other purposes or that a person with whom he does not deal at arm’s length used before he acquired it;”;

(7) by inserting the following after paragraph *h.0.1*:

“(h.0.2) “reserve amount” has the meaning assigned to it by subparagraph *a* of the first paragraph of section 418.15 of the Act;”;

(8) by inserting the following after paragraph *h.1*:

“(h.2) “stated percentage” means:

*i.* where the taxpayer is an individual other than a trust, in respect of sections 360R16.2, 360R16.8, 360R16.10 and 360R16.16:

(1) 100 % in respect of an expenditure incurred before 1 January 1989 or of an amount of assistance related to such expenditure;

(2) 50 % in respect of an expenditure incurred after 31 December 1988 and before 1 January 1990 or of an amount of assistance related to such expenditure;

(3) 0 % in respect of an expenditure incurred after 31 December 1989 or of an amount of assistance related to such expenditure;

*ii.* in respect of sections 360R7, 360R17 and 360R17.0.1 and, where the taxpayer is not an individual contemplated in subparagraph *i*, sections 360R16.2, 360R16.8, 360R16.10 and 360R16.16:

(1) 100 % in respect of an expenditure incurred before 1 July 1988, of an amount of assistance or benefit related to such expenditure or of a cost incurred in borrowing capital before that date;

(2) 50 % in respect of an expenditure incurred after 30 June 1988 and before 1 January 1990, of an amount of assistance or benefit related to such expenditure or of a cost incurred in borrowing capital after 30 June 1988 and before 1 January 1990;

(3) 0 % in respect of an expenditure incurred after 31 December 1989, of an amount of assistance or benefit related to such expenditure or of a cost incurred in borrowing capital after that date;

(h.3) “production” from a Canadian resource property has the meaning assigned to it by the second paragraph of section 418.15 of the Act;”;

(9) by substituting the words “(Revised Statutes of Canada (1985), c. I-5)” for the words “(Statutes of Canada)” in subparagraph *ii* of paragraph *i.0.1*;

(10) by inserting the following after paragraph *i.0.1*:

“(i.0.2) “predecessor owner” of a property means a corporation that:

*i.* acquired the property in circumstances where, in respect of that property, section 360R7 applies to the corporation or would apply to it if it had continued to own the property;

*ii.* disposed of the property to another corporation that acquired it in circumstances where, in respect of that property, section 360R7 applies to that other corporation or would apply to it if it had continued to own the property; and

*iii.* would be entitled, but for section 360R7.1, in respect of expenditures incurred by an original owner of the property, to a deduction under section 360R7 in computing its income for a taxation year ending after the time when it disposed of the property;

(i.0.3) “original owner” of a property means a person who:

*i.* owned the property and disposed of it to a corporation that acquired it in circumstances where, in respect of that property, section 360R7 applies to the corpora-

tion or would apply to it if it had continued to own the property; and

ii. would be entitled, but for section 360R28 as it read in its application to a taxation year ending before 18 February 1987 or paragraph *a* of section 360R28, as the case may be, in respect of expenditures incurred by him before the time when he disposed of the property, to a deduction under section 360R6 in computing his income for a taxation year ending after the time when he disposed of the property;”;

(11) by substituting the following for paragraph *j.1*:

“(j.1) “production royalty” means an amount, in respect of a particular Canadian resource property, included in computing the income of a taxpayer as a rental or royalty computed by reference to the amount or value of petroleum, natural gas or related hydrocarbons either produced after 31 December 1981 from a natural accumulation of petroleum or natural gas in Canada, other than a resource, or from an oil or gas well in Canada, or produced after 30 June 1988 from a resource that is a deposit of bituminous sands, oil sands or oil shale, if:

i. the taxpayer has a Crown royalty in respect of that production or in respect of the ownership of property to which that production relates where, in the latter case, the Crown royalty is computed by reference to the amount of production from the deposit and it is reasonable in all cases to consider that the taxpayer would have had that royalty if his only source of income had been the rental or royalty in respect of the particular Canadian resource property; or

ii. the taxpayer would have a Crown royalty in respect of which subparagraph i is applicable, if it were not for an exemption or allowance other than a rate of nil that is granted under a statute by a person contemplated in section 90 of the Act;”;

(12) by substituting the words “Territoires du Nord-Ouest” for the words “territoires du Nord-Ouest” in the French text of paragraph *o*.

2. Paragraphs 1 and 6 of subsection 1 have effect from 1 January 1981. Notwithstanding the foregoing, where paragraph *f.4* of section 360R2 of the Regulation respecting the Taxation Act, made by that paragraph 6, applies before 1 January 1988, it shall be read with the words “included in Class 10 of Schedule B” being substituted for the words “included, or would be included if it were not for Class 41 of Schedule B, in Class 10 of that Schedule”.

3. Paragraphs 2, 7, 8 and 10 of subsection 1 apply to a taxation year ending after 17 February 1987.

4. Paragraph 3 of subsection 1 has effect from 1 January 1986. Notwithstanding the foregoing, where paragraph *e.1* of section 360R2 of the Regulation respecting the Taxation Act, made by that paragraph 3, applies

(*a*) before 19 December 1986, it shall be read as follows:

“(e.1) “Canadian oil and gas exploration expense” of a taxpayer means an outlay made or an expenditure incurred after 31 December 1980 and that would constitute a Canadian exploration expense of the taxpayer within the meaning of section 395 of the Act if that section were read with its paragraphs *c* and *c.1* being disregarded and if the reference in paragraphs *d* and *e* of that section 395 to “expenses described in paragraphs *a* to *c.1*” were replaced by a reference to “expenses described in paragraphs *a* to *b.2*”, except an outlay or an expenditure that constitutes, under paragraph *b* of that section 395 where it is interpreted without taking into account the expenses incurred during the year or under subparagraph ii of paragraph *b.1* of that section, a Canadian exploration expense related to a qualified tertiary oil recovery project;”;

(*b*) between 18 December 1986 and 18 June 1987, it shall be read as made by paragraph *a*, but with the words “an outlay made or” and “an outlay or” being disregarded.

5. Paragraph 4 of subsection 1 applies from the 1988 taxation year.

6. Paragraph 5 of subsection 1 has effect from 11 April 1978.

7. Paragraph 9 of subsection 1 has effect from 12 December 1988.

8. Paragraph 11 of subsection 1 applies in respect of a rental or royalty computed by reference to the amount or value of petroleum, natural gas or related hydrocarbons produced after 30 June 1988. Notwithstanding the foregoing, where paragraph *j.1* of section 360R2 of the Regulation respecting the Taxation Act, made by that paragraph 11, applies

(*a*) in respect of a rental or royalty computed by reference to the amount or value of petroleum, natural gas or related hydrocarbons produced before 16 November 1989, it shall be read

i. with the words “, in respect of a particular Canadian resource property,” being deleted in the part preceding subparagraph *i*;

ii. with the words “the property” being substituted for the words “the deposit and it is reasonable in all cases to consider that the taxpayer would have had that royalty if his only source of income had been the rental or royalty in respect of the particular Canadian resource property” in subparagraph *i*;

iii. with the words “contemplated in subparagraph *i*” being substituted for the words “in respect of which subparagraph *i* is applicable” in subparagraph *ii*;

(*b*) to a taxation year ending before 1 December 1991, it shall be read with the words “hydrocarbures apparentés” being substituted for the words “hydrocarbures connexes” in the French text of the part preceding subparagraph *i*.

**17.** 1. Section 360R3.1 is amended by substituting the words “For the purposes of Divisions II and III.1 to IV,” for the words “For the purposes of sections 360R6 to 360R10.1 and 360R16.1 to 360R26,”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**18.** 1. Section 360R5.5 is amended by substituting the following for the part preceding paragraph *a*:

“**360R5.5.** In subparagraph *i* of paragraph *i.0.1* of section 360R2, a specified royalty provision means:”.

2. Subsection 1 has effect from 1 January 1981.

**19.** 1. The Regulation is amended by inserting the following after section 360R5.5:

“**360R5.5.1.** For the purposes of subparagraph *i* of paragraph *i.0.1* of section 360R2, where, at a particular time, unconditional approval is given by a person contemplated in section 90 of the Act for a specified royalty provision to apply at a time after the particular time, that provision is deemed to apply from the particular time.”.

2. Subsection 1 has effect from 1 January 1981.

**20.** 1. Section 360R5.6 is amended by substituting the following for the part preceding subparagraph *a* of the first paragraph:

“**360R5.6.** In paragraph *j.1* of section 360R2, the expression “Crown royalty” of a taxpayer in respect of the production of petroleum, natural gas or related hy-

drocarbons from a natural accumulation of petroleum or natural gas in Canada, other than a resource, from an oil or gas well in Canada or from a resource that is a deposit of bituminous sands, oil sands or oil shale, or in respect of the ownership of a natural reservoir of gas or petroleum in Canada means an amount:”.

2. Subsection 1 has effect from 1 July 1988. Notwithstanding the foregoing, where the part of section 360R5.6 of the Regulation respecting the Taxation Act preceding subparagraph *a* of the first paragraph, made by subsection 1, applies to a taxation year ending before 1 December 1991, it shall be read with the words “hydrocarbures apparentés” being substituted for the words “hydrocarbures connexes” in the French text.

**21.** 1. The Regulation is amended by inserting the following after section 360R5.6:

“**360R5.7.** Sections 360R7, 360R16.5, 360R16.13, 360R36 and 360R51 do not apply:

(*a*) in respect of a property acquired by way of an amalgamation or a winding-up to which Division X applies;

(*b*) in respect of the acquisition of a property by a corporation before 18 February 1987 in order to permit that corporation to deduct an amount that it would not have been entitled to deduct under this Chapter if this Chapter, as it read in its application to the taxation years ending before 18 February 1987, had applied to the taxation years ending after 17 February 1987; or

(*c*) in respect of a property acquired in any manner whatsoever after 19 July 1985 from a person exempt from tax on his taxable income under Part I of the Act, except where it is a property acquired before 1 January 1987 in accordance with an agreement in writing entered into before 20 July 1985 or where the person is a corporation contemplated in section 985 of the Act that is a development corporation.

**360R5.8.** Sections 360R7, 360R16.5, 360R16.13, 360R36 and 360R51 apply to a corporation that has acquired a particular property from a particular person:

(*a*) where it acquired the particular property during a taxation year commencing before 1 January 1985, only if it acquired the specified property of the particular person at the same time;

(*b*) where it acquired the particular property during a taxation year commencing after 31 December 1984, only where it acquired at the same time:

i. all or substantially all of the Canadian resource properties of the particular person; or

ii where subparagraph *i* does not apply, the specified property of the particular person;

(c) where it acquired, other than in circumstances giving rise to the application of subparagraph ii of paragraph *b*, the particular property after 16 November 1978 and during a taxation year ending before 18 February 1987, in any manner whatsoever, except by way of an amalgamation or a winding-up, only where it and the particular person have filed with the Minister a joint election in accordance with one of sections 378.1, where that section refers to section 376 of the Act, 404.1, 415.3 or 418.11 of the Act, by applying those sections as they read for that taxation year;

(d) where it acquired the particular property after 5 June 1987 by way of an amalgamation or a winding-up, other than in circumstances giving rise to the application of subparagraph ii of paragraph *b*, only where it filed with the Minister an election in prescribed form for the application of paragraph *c* of section 418.23 of the Act not later than the day on or before which it was required to file its fiscal return under section 1000 of the Act for its taxation year during which it acquired the particular property;

(e) where it acquired the particular property during a taxation year ending after 17 February 1987, other than by way of an amalgamation or a winding-up or other than in circumstances giving rise to the application of subparagraph ii of paragraph *b*, only where it and the particular person filed with the Minister a joint election in prescribed form for the application of paragraph *e* of section 418.23 of the Act not later than the earlier of the days on or before which either of them was required to file their fiscal return under section 1000 of the Act for its taxation year during which the corporation acquired the particular property; and

(f) where it acquired the particular property, other than by way of an amalgamation or a winding-up, in circumstances giving rise to the application of subparagraph ii of paragraph *b*, only where it and the particular person have agreed to avail themselves of the rules provided for in one of sections 360R7, 360R16.5, 360R16.13, 360R36 and 360R51 and where each of them has so notified the Minister in writing in their fiscal returns that they were required to file under Part I of the Act for their taxation year during which the corporation acquired the particular property.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**22.** 1. The following is substituted for sections 360R6 and 360R7:

“**360R6.** A taxpayer may, in computing his income for a taxation year, deduct an amount not exceeding the lesser of the following amounts:

(a) the aggregate of the following amounts:

i. 25 % of the amount by which his resource profits in respect of an oil business for the year exceed 4 times the aggregate of the amounts deducted in respect of that business in computing his income for the year under section 360R7, except the part of those amounts that may reasonably be considered to have been deducted in that computation by reason of clause ii of subparagraph *a* of the second paragraph of that section;

ii. 33 $\frac{1}{3}$  % of the amount by which his resource profits in respect of a mining business for the year exceed 3 times the aggregate of the amounts deducted in respect of that business in computing his income for the year under section 360R7, except the part of those amounts that may reasonably be considered to have been deducted in that computation by reason of clause ii of subparagraph *a* of the second paragraph of that section; and

iii. the amount by which the aggregate of the amounts included in computing his income for the year under paragraphs *a* and *b* of section 332.1 of the Act exceeds the aggregate of the amounts that may reasonably be considered to have been deducted in that computation by reason of clause ii of subparagraph *a* of the second paragraph of section 360R7; or

(b) the aggregate of the following amounts:

i. his earned depletion base at the end of the year;

ii. the amount by which:

(1) the aggregate determined under paragraph *a* of section 360R28.0.1 in respect of the taxpayer for the year; exceeds

(2) the amount by which the aggregate that would be determined under paragraph *b* of section 360R17 exceeds the aggregate that would be determined under paragraph *a* of section 360R17 in computing the earned depletion base of the taxpayer at the end of the year.

**360R7.** Subject to sections 360R5.7 and 360R5.8, a corporation that, after 7 November 1969, acquires in any manner whatsoever a particular property may deduct, in computing its income for a taxation year, an

amount not exceeding the aggregate of the amounts each of which is an amount, determined in respect of an original owner of the particular property, equal to the lesser of the following amounts:

(a) the earned depletion base of the original owner, immediately after the time when that owner disposed of the particular property, determined by assuming for that purpose, where the disposition resulted after 28 April 1978 from an amalgamation contemplated in section 544 of the Act, that the original owner continued to exist after the time of the disposition and no property was acquired or disposed of in the course of the amalgamation, to the extent that the earned depletion base was not otherwise deducted in computing the income of the corporation for the year nor was deducted in computing the income of the corporation for a previous taxation year or in computing the income of the original owner or a predecessor owner of the particular property for any taxation year; or

(b) the amount determined under the second paragraph.

The amount contemplated in subparagraph *b* of the first paragraph is the amount by which:

(a) the aggregate of the following amounts:

i. 25% of the part attributable to an oil business and 33 1/3% of the part attributable to a mining business of the part of the income of the corporation, determined before any deduction under section 86 of the Act respecting the application of the Taxation Act (1972, c. 24) or sections 359 to 419.8 of the Act and as if that income included no amount designated under subclause 1 of clause ii of subparagraph *a* of the third paragraph of section 418.17 of the Act, that may reasonably be attributed to:

(1) the amount included in computing its income for the year under paragraph *e* of section 330 of the Act, that may reasonably be attributed to the disposition by the corporation, in the year or in a previous taxation year, of any interest in or right to the particular property, to the extent that the proceeds of the disposition was not included in computing an amount for any previous taxation year under this subclause 1, section 360R28.2.1, clause i of paragraph *a* of the third paragraph of sections 418.16 or 418.18 of the Act, clause iii of subparagraph *c* of the first paragraph of section 418.20 of the Act, section 418.28 of the Act or section 86 of the Act respecting the application of the Taxation Act, to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972) (R.R.Q., 1981, c. I-4, r. 2) refers to Division A of subparagraph i of

paragraph *d* of subsection 25 of section 29 of the Income Tax Application Rules (Revised Statutes of Canada (1985), c. 2, 5<sup>th</sup> suppl.);

(2) its reserve amount for the year in respect of the original owner and each predecessor owner of the particular property;

(3) the production obtained from the particular property; or

(4) the processing, contemplated in one of subparagraphs *ii* or *iii* of paragraph *b* of section 360R12 or in paragraph *b* of section 360R14, using the particular property;

ii. the aggregate of the amounts each of which is a particular amount included in its income for the year under paragraph *a* or *b* of section 332.1 of the Act in respect of an amount added in computing the earned depletion base of the original owner;

iii. where the corporation, the original owner or a predecessor owner of the particular property receives in the year, or becomes entitled to receive in the year or in a subsequent taxation year, an amount of assistance or benefit that is related to Canadian exploration expenses or Canadian development expenses or that may reasonably be related to Canadian exploration activities or Canadian development activities and that is in the form of a subsidy, bonus, rebate, forgivable loan, deduction from royalty or tax, rebate on royalty or tax, investment allowance or any other form of assistance or benefit, 33 1/3% of the aggregate of the amounts each of which represents an amount that is related to such particular amount of assistance or benefit and that is equal:

(1) where the particular amount of assistance or benefit is related to Canadian exploration expenses or Canadian development expenses added in computing the earned depletion base of the original owner by reason of paragraph *b* of 360R19 or paragraph *b.1* or *c* of section 360R19.1 to the stated percentage, determined in respect of those expenses for the calendar year during which the original owner incurred them, of the particular amount of assistance or advantage, other than an amount in respect of which an amount was added in computing an amount under this paragraph for a previous taxation year;

(2) where the particular amount of assistance or benefit is related to Canadian oil and gas exploration expenses added in computing the earned depletion base of the original owner by reason of paragraph *a* or *b* of 360R19.1 to the stated percentage, determined in respect of those expenses for the calendar year during

which the original owner incurred them, of the particular amount of assistance or advantage, other than an amount in respect of which an amount was added in computing an amount under this paragraph for a previous taxation year; exceeds

(b) the aggregate of the other amounts deducted for the year under this section, section 418.16, 418.18, 418.19 or 418.21 of the Act or section 86 of the Act respecting the application of the Taxation Act, to the extent that section 86.4 of the Regulation respecting the application of the Taxation Act (1972) refers to subsection 25 of section 29 of the Income Tax Application Rules, that may reasonably be attributed either to the parts of the income of the corporation for the year that are contemplated in clause i or ii of subparagraph *a* or to the amount determined in respect of the corporation for the year under clause iii of subparagraph *a*.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987. Notwithstanding the foregoing, where subclause 3 of clause i of subparagraph *a* of the second paragraph of section 360R7 of the Regulation respecting the Taxation Act, made by subsection 1, applies in respect of property acquired before 15 January 1987, or before 1 January 1988 where the person who acquired the property is considered, for the purposes of sections 418.16 to 418.36 of the Taxation Act (R.S.Q, c. I-3), to have been required on 15 January 1987 to acquire the property under the terms of a written agreement entered into not later than 15 January 1987, that subclause 3 shall be read as follows:

“(3) where the particular property is an interest in a property or a right to extract petroleum, natural gas or minerals from a property, the production obtained from that property; or”.

**23.** 1. The Regulation is amended by inserting the following after section 360R7:

“**360R7.1.** Where, in a particular taxation year, a predecessor owner of a property disposes of it to a corporation in circumstances where section 360R7 applies, for the purposes of applying that section to the predecessor owner for a taxation year ending after 17 February 1987 in respect of the acquisition of that property by the predecessor owner, that owner is deemed, after the disposition, to have never acquired the property, except for the purpose of making a deduction under section 360R7 for the particular year.

**360R7.2.** Where a particular person acquires a property at any time in circumstances where section 360R7 does not apply, any person who was an original owner or a predecessor owner of the property by reason of a

disposition of the property before that time is, for the purposes of applying this Chapter in respect of the particular person or another person acquiring the property after that time, deemed, after that time, not to be an original owner or a predecessor owner, as the case may be, of the property by reason of a disposition of that property before that time.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**24.** 1. Sections 360R8 to 360R10.3 are revoked.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**25.** 1. Section 360R12 is amended

(1) by striking out the word “and” at the end of paragraph *b*;

(2) by substituting the following for the period at the end of paragraph *c*: “; and”;

(3) by adding the following after paragraph *c*:

“(d) where the taxpayer throughout the year owns the aggregate of the issued and outstanding shares of the capital stock of a railway company, the amount that may reasonably be considered to be that company’s income for its taxation year ending in the year derived from the transportation of the ore described in subparagraph *i* of paragraph *b*.”.

2. Subsection 1 applies to a taxation year commencing after 31 December 1987.

**26.** 1. Section 360R13 is amended

(1) by substituting the following for the part preceding paragraph *b*:

“**360R13.** The amount to be deducted from the aggregate determined in section 360R12 for a taxation year is the aggregate of the taxpayer’s losses for the year from a source described in paragraph *b* of section 360R12, as computed in accordance with the Act and assuming that he had no other incomes or losses for the year than those from such source and that no deduction was granted to him in computing his income for the year, other than the following:

(a) the amounts deductible under sections 362 to 394 of the Act, other than amounts that are foreign exploration and development expenses, or under section 86 of the Act respecting the application of the Taxation Act

(1972, c. 24), where the taxpayer has no resource profits from a natural accumulation of petroleum or natural gas in Canada, other than a resource, or from an oil or gas well that he operates in Canada and, in any other case, the part of those amounts that may reasonably be considered to be wholly attributable to a mineral resource in Canada;”;

(2) by substituting the following for paragraphs *c* and *d*:

“(c) the amounts deductible or deducted, as the case may be, under sections 395 to 418.16, 418.18 to 418.36 or 419.5 of the Act for the year, other than the amounts that are Canadian development expenses related to property described in paragraph *b* of section 370 of the Act that is a right, licence or privilege to store underground petroleum, natural gas or related hydrocarbons in Canada, where no amount is deducted under paragraph *c* of section 360R15 in computing his resource profits for the year in respect of an oil business;

(d) any other deduction attributable to a source of income described in paragraph *b* or *c* of section 360R12, other than a deduction under section 360R6, 360R7, 360R16.1, 360R16.9, 360R46, 360R47 or 360R54.”.

2. Paragraph 1 of subsection 1 applies to a taxation year commencing after 31 December 1987.

3. Paragraph 2 of subsection 1 applies to a taxation year ending after 17 February 1987. Notwithstanding the foregoing, where paragraph *c* of section 360R13 of the Regulation respecting the Taxation Act, made by that paragraph 2, applies to a taxation year ending before 1 December 1991, it shall be read with the words “hydrocarbures apparentés” being substituted for the words “hydrocarbures connexes” in the French text. Furthermore, where paragraph *d* of that section 360R13, replaced by that paragraph 2, applies after 31 December 1986, it shall be read with “360R16.9,” being inserted after “360R16.1.”.

**27.** 1. Section 360R14 is amended

(1) by substituting the following for paragraph *b*:

“(b) the aggregate of his incomes for the year, computed in the manner described in section 360R15, from:

i. the production of petroleum, natural gas or related hydrocarbons from petroleum or natural gas that he extracts from a natural accumulation of petroleum or natural gas in Canada, other than a resource, or from an oil or gas well that he operates in Canada; or

ii. the processing in Canada of heavy crude oil extracted from an oil or gas well in Canada, to a stage that is not beyond the crude oil stage or its equivalent; and”;

(2) by substituting the words “hydrocarbures connexes” for the words “hydrocarbures apparentés” in the French text of paragraph *c*.

2. Paragraph 1 of subsection 1 applies to a taxation year ending after 31 March 1985. Notwithstanding the foregoing, where paragraph *b* of section 360R14 of the Regulation respecting the Taxation Act, made by that paragraph 1, applies to a taxation year ending before 1 December 1991, it shall be read with the words “hydrocarbures apparentés” being substituted for the words “hydrocarbures connexes” in the French text of subparagraph *i*.

3. Paragraph 2 of subsection 1 applies to a taxation year ending after 30 November 1991.

**28.** 1. Section 360R15 is amended

(1) by substituting the following for the part preceding paragraph *b*:

“**360R15.** The amount to be deducted from the aggregate determined in section 360R14 for a taxation year is the aggregate of the taxpayer’s losses for the year from a source described in paragraph *b* of section 360R14, as computed in accordance with the Act and assuming that he had no other incomes or losses for the year than those from such source and that no deduction was granted to him in computing his income for the year, other than the following:

(a) the amounts deductible under sections 362 to 394 of the Act, other than amounts that are foreign exploration and development expenses, or under section 86 of the Act respecting the application of the Taxation Act (1972, c. 24), to the extent that those amounts are not deductible under paragraph *a* of section 360R13;”;

(2) by substituting the following for paragraphs *c* and *d*:

“(c) the amounts deductible or deducted, as the case may be, under sections 395 to 418.16, 418.18 to 418.36 or 419.5 of the Act for the year, other than the amounts that are Canadian development expenses related to property described in paragraph *b* of section 370 of the Act that is a right, licence or privilege to store underground petroleum, natural gas or related hydrocarbons in Canada, where the taxpayer has production from a natural accumulation of petroleum or natural gas in Canada, other than a resource, or from an oil or gas well that he

operates in Canada or an income from the processing in Canada of heavy crude oil extracted from an oil or gas well in Canada, to a stage that is not beyond the crude oil stage or its equivalent;

(d) any other deduction attributable to a source of income described in paragraph *b* or *c* of section 360R14, other than a deduction under section 360R6, 360R7, 360R16.1, 360R16.9, 360R29, 360R46, 360R47 or 360R54.”.

2. Paragraph 1 of subsection 1 applies to a taxation year commencing after 31 December 1987.

3. Paragraph 2 of subsection 1 applies to a taxation year ending after 17 February 1987. Notwithstanding the foregoing, where paragraph *c* of section 360R15 of the Regulation respecting the Taxation Act, made by that paragraph 2, applies to a taxation year ending before 1 December 1991, it shall be read with the words “hydrocarbures apparentés” being substituted for the words “hydrocarbures connexes” in the French text. Furthermore, where paragraph *d* of that section 360R15, replaced by that paragraph 2, applies after 31 December 1986, it shall be read with “360R16.9,” being inserted after “360R16.1.”.

**29.** 1. Section 360R16.1 is amended by substituting the following for the part of paragraph *b* preceding subparagraph *i*:

“(b) the amount by which the aggregate of the following amounts exceeds the aggregate of the amounts deducted under sections 360R6, 360R7, 360R29 to 360R36 and 360R46 to 360R53 in computing his income for the year:”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**30.** 1. Section 360R16.2 is amended

(1) by substituting the following for subparagraphs *i* and *ii* of paragraph *a*:

“i. the aggregate of the amounts each of which is the stated percentage of an expenditure, other than an expenditure described in section 360R16.4, that the taxpayer incurred after 19 April 1983 and before that time and which are, or would be if section 359.3 of the Act were read with its paragraph *b* being disregarded, Canadian exploration expenses described in paragraph *c* of section 395 of the Act or that would be described either in paragraph *d* of that section 395 if the reference in that paragraph to “expenses described in paragraphs *a* to *b*.1, *c* and *c*.1” were replaced by a reference to “expenses

described in paragraph *c*”, or in paragraph *e* of that section 395 if the reference in that paragraph to “an expense described in paragraphs *a* to *c*.1” were replaced by a reference to “expenses described in paragraph *c*”; over

ii. the aggregate of the amounts each of which is the stated percentage of an amount of assistance, within the meaning of paragraph *c*.0.1 of section 359 of the Act, that a person has received, is entitled to receive or, at any time, becomes entitled to receive in respect of expenses that would be contemplated in subparagraph *i* if section 360R16.4 were read with its paragraph *a* being disregarded, other than an amount related to expenses renounced by a corporation in favour of the taxpayer under one of sections 359.2 or 406 of the Act, where that amount of assistance is excluded from the aggregate of the expenses in respect of which a renunciation is made, or renounced by the taxpayer under one of those sections 359.2 or 406, where that amount of assistance is not excluded from the aggregate of the expenses in respect of which a renunciation is made; and”;

(2) by substituting the following for paragraph *b*:

“(b) any amount that the taxpayer is required to add before that time, under paragraph *a* of section 360R16.5, in computing its mining exploration depletion, where the taxpayer is a corporation that has acquired property from another person according to section 360R16.5.”.

2. Paragraph 1 of subsection 1 applies from the 1988 taxation year. Furthermore, where subparagraph *i* of paragraph *a* of section 360R16.2 of the Regulation respecting the Taxation Act, replaced by that paragraph 1, applies before 18 June 1987 in respect of expenditures or expenses incurred after 28 February 1986, it shall be read with “*a* to *c*.1” being substituted for “*a* to *b*.1, *c* and *c*.1”.

3. Paragraph 2 of subsection 1 applies to a taxation year ending after 17 February 1987.

**31.** 1. Section 360R16.3 is amended by substituting the following for paragraph *b*:

“(b) each amount that he is required to deduct before that time, under paragraph *b* of section 360R16.5, in computing his mining exploration depletion, where the taxpayer is a person from whom property was acquired according to section 360R16.5.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**32.** 1. Section 360R16.4 is amended

(1) by striking out the word “and” at the end of paragraph *c*;

(2) by inserting the following after paragraph *c*:

“(c.1) the eligible expenses, within the meaning of the Canadian Exploration Incentive Program Act (Revised Statutes of Canada (1985), c. 27, 4<sup>th</sup> suppl.), in respect of which the taxpayer, a partnership of which he is a member or a development corporation of which he is a shareholder has received, is deemed to have received, is entitled to receive or may reasonably expect to receive, at any time, an incentive under that Act; nor”;

(3) by substituting the following for paragraph *d*:

“(d) where the taxpayer is an individual, the expenses contemplated in section 360R55 and any expenditure that he has included in computing his exploration base relating to certain Québec exploration expenses under subparagraph *i* of paragraph *a* of section 726.4.10 of the Act.”.

2. Subsection 1 applies from the 1988 taxation year. Notwithstanding the foregoing, where paragraph *c.1* of section 360R16.4 of the Regulation respecting the Taxation Act, made by paragraph 2 of subsection 1, applies before 1 November 1989, it shall be read with the words “(Statutes of Canada)” being substituted for the words “(Revised Statutes of Canada (1985), c. 27, 4<sup>th</sup> suppl.)”.

**33.** 1. The following is substituted for section 360R16.5:

“**360R16.5.** Subject to sections 360R5.7 and 360R5.8, where, at any time during a taxation year and after 19 April 1983, a corporation acquires property from another person, the following rules apply:

(a) the corporation shall, for the purposes of computing its mining exploration depletion at any time after that acquisition, add the excess amount computed under paragraph *b* in respect of the other person;

(b) the other person shall, for the purposes of computing his mining exploration depletion at any time after his taxation year during which that acquisition occurs, deduct the amount by which his mining exploration depletion immediately after that acquisition, assuming for that purpose, where that acquisition results from an amalgamation contemplated in section 544 of the Act, that it continued to exist after that acquisition and that no property was acquired or disposed of in the course of the amalgamation, exceeds the amount deducted under

section 360R16.1 in computing his income for that taxation year.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**34.** 1. Sections 360R16.6 to 360R16.7.1 are revoked.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**35.** 1. The following is substituted for section 360R16.8:

“**360R16.8.** Where an expenditure incurred before any time is included in computing the aggregate contemplated in subparagraph *i* of paragraph *a* of section 360R16.2 in respect of a taxpayer and where, after that time, a person becomes entitled to receive an amount of assistance, within the meaning of paragraph *c.0.1* of section 359 of the Act, that is included in computing the aggregate contemplated in subparagraph *ii* of that paragraph *a*, the stated percentage of that amount of assistance shall be included in the aggregate contemplated in subparagraph *ii* of that paragraph *a* in respect of the taxpayer at the time when that expenditure was incurred.”.

2. Subsection 1 applies from the 1988 taxation year.

**36.** 1. Section 360R16.9 is amended by substituting the following for the part of paragraph *b* preceding subparagraph *i*:

“(b) the amount by which the aggregate of the following amounts exceeds the aggregate of the amounts deducted under sections 360R6, 360R7, 360R16.1 to 360R16.8, 360R29 to 360R36 and 360R46 to 360R53 in computing his income for the year:”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**37.** 1. Section 360R16.10 is amended

(1) by substituting the following for subparagraphs *i* and *ii* of paragraph *a*:

“i. the aggregate of the amounts each of which is the stated percentage of an expenditure, other than an expenditure described in section 360R16.12, that the taxpayer incurred in Québec after 31 December 1986 and before that time, but not later than 31 December 1989, and which are Canadian exploration expenses that would be described in paragraph *a* of section 395 of the Act if that paragraph were read with the word “Québec” being substituted for the word “Canada” wherever it occurs, in

paragraph *d* of that section 395 if the reference in that paragraph to “expenses described in paragraphs *a* to *b.1*, *c* and *c.1*” were replaced by a reference to the “expenses that would be described in paragraph *a* if that paragraph were read with the word “Québec” being substituted for the “Canada” wherever it occurs”, or in paragraph *e* of that section 395 if the reference in that paragraph to “an expense described in paragraphs *a* to *c.1*” were replaced by a reference to “an expense that would be described in paragraph *a* if that paragraph were read with the word “Québec” being substituted for the word “Canada” wherever it occurs”; exceeds

ii. the aggregate of the amounts each of which is the stated percentage of an amount of assistance, within the meaning of paragraph *c.0.1* of section 359 of the Act, that a person has received, is entitled to receive or, at any time, becomes entitled to receive in respect of expenses that would be contemplated in subparagraph *i* of section 360R16.12 were read with its paragraph *a* being disregarded, other than an amount related to expenses renounced by a corporation in favour of the taxpayer under one of sections 359.2 or 406 of the Act, where that amount of assistance is excluded from the aggregate of the expenses in respect of which a renunciation is made, or renounced by the taxpayer under one of those sections 359.2 or 406, where that amount of assistance is not excluded from the aggregate of the expenses in respect of which a renunciation is made; and”;

(2) by substituting the following for paragraph *b*:

“(b) any amount that the taxpayer is required to add before that time, under paragraph *a* of section 360R16.13, in computing its mining exploration depletion, where the taxpayer is a corporation that has acquired property from another person according to section 360R16.13.”.

2. Paragraph 1 of subsection 1, where it replaces subparagraph *i* of paragraph *a* of section 360R16.10 of the Regulation respecting the Taxation Act, applies from the 1988 taxation year.

3. Paragraph 1 of subsection 1, where it replaces subparagraph *ii* of paragraph *a* of section 360R16.10 of the Regulation respecting the Taxation Act, applies in respect of expenditures or expenses incurred after 31 December 1986. Notwithstanding the foregoing, where subparagraph *ii* of paragraph *a* of section 360R16.10 of that Regulation, made by that paragraph 1, applies to a taxation year prior to the 1988 taxation year, it shall be read with the words “the aggregate of each amount of assistance” being substituted for the words “the aggregate of the amounts each of which is the stated percentage of an amount of assistance”.

4. Paragraph 2 of subsection 1 applies to a taxation year ending after 17 February 1987.

**38.** 1. Section 360R16.11 is amended by substituting the following for paragraph *b*:

“(b) all amounts that he is required to deduct before that time under paragraph *b* of section 360R16.13 in computing his depletion for oil and gas exploration, where the taxpayer is a person from whom property was acquired according to section 360R16.13.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**39.** 1. Section 360R16.12 is amended

(1) by substituting the following for paragraph *a*:

“(a) expenses renounced by the taxpayer under sections 359.2 or 406 of the Act;”;

(2) by striking out the word “and” at the end of paragraph *c*;

(3) by inserting the following after paragraph *c*:

“(c.1) the eligible expenses, within the meaning of the Canadian Exploration and Development Incentive Program Act (Revised Statutes of Canada (1985), c. 15, 3<sup>rd</sup> suppl.), in respect of which the taxpayer, a partnership of which he is a member, a development corporation of which he is a shareholder or a joint exploration corporation of which it is a shareholder corporation has received, is deemed to have received, is entitled to receive or may reasonably expect to receive, at any time, a payment under that Act; nor”;

(4) by substituting the following for paragraph *d*:

“(d) where the taxpayer is an individual, the expenses contemplated in section 360R55 and any expenditure that he has included in computing his exploration base relating to certain Québec exploration expenses under subparagraph *i* of paragraph *a* of section 726.4.10 of the Act.”.

2. Paragraph 1 of subsection 1 applies in respect of expenses incurred after 31 December 1986.

3. Paragraphs 2 and 3 of subsection 1 apply in respect of expenses incurred after 31 March 1987. Notwithstanding the foregoing, where paragraph *c.1* of section 360R16.12 of the Regulation respecting the Taxation Act, made by that paragraph 3, applies before 1 May 1989, it shall be read with the words “(Statutes of

Canada)" being substituted for the words "(Revised Statutes of Canada (1985), c. 15, 3<sup>rd</sup> suppl.)".

4. Paragraph 4 of subsection 1 applies from the 1988 taxation year.

**40.** 1. The following is substituted for section 360R16.13:

"**360R16.13.** Subject to sections 360R5.7 and 360R5.8, where, at any time during a taxation year and after 31 December 1986, a corporation acquires property from another person, the following rules apply:

(a) the corporation shall, for the purposes of computing its depletion for oil and gas exploration at any time after that acquisition, add the excess amount computed under paragraph *b* in respect of the other person;

(b) the other person shall, for the purposes of computing its depletion for oil and gas exploration at any time after its taxation year during which that acquisition occurred, deduct the amount by which its depletion for oil and gas exploration immediately after that acquisition, assuming for that purpose, where that acquisition results from an amalgamation contemplated in section 544 of the Act, that it continued to exist after that acquisition and that no property was acquired or disposed of in the course of the amalgamation, exceeds the amount deducted under section 360R16.9 in computing its income for that taxation year."

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**41.** 1. Sections 360R16.14 to 360R16.15.1 are revoked.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**42.** 1. The following is substituted for section 360R16.16:

"**360R16.16.** Where an expenditure incurred before any time is included in computing the aggregate contemplated in subparagraph *i* of paragraph *a* of the section 360R16.10 in respect of a taxpayer and where, after that time, a person becomes entitled to receive an amount of assistance, within the meaning of paragraph *c.0.1* of section 359 of the Act, that is included in computing the aggregate contemplated in subparagraph *ii* of that paragraph *a*, the stated percentage of that amount of assistance shall be included in the aggregate contemplated in subparagraph *ii* of that paragraph *a* in respect of the taxpayer at the time when that expenditure was incurred."

2. Subsection 1 applies in respect of expenditures or expenses incurred after 31 December 1986. Notwithstanding the foregoing, where section 360R16.16 of the Regulation respecting the Taxation Act, made by that subsection, applies to a taxation year prior to the 1988 taxation year, it shall be read with the words "the stated percentage of" being disregarded.

**43.** 1. Section 360R17 is amended

(1) by substituting the following for subparagraphs *i* and *ii* of paragraph *a*:

"i. 33 1/3% of the amount of the expenditures incurred by him and described in sections 360R19 to 360R26, other than:

(1) those described in section 360R18; and

(2) in the case of an individual, those contemplated in section 360R55; and

ii. 50% of the amount of the expenditures described in section 360R18; exceeds";

(2) by substituting the following for subparagraphs *ii* to *vi* of paragraph *b*:

"ii. of 33 1/3% of the aggregate of the amounts each of which is the stated percentage of the cost of borrowing capital, including costs incurred before the beginning of operations of a business, that is included in the capital cost to him of a depreciable property described in paragraph *d* of section 360R19, in paragraph *d* or *e* of section 360R19.1 or in paragraph *a* or *b* of section 360R24 or that is an expenditure described in paragraph *c* of that section 360R24;

iii. of 33 1/3% of the aggregate of the amounts each of which is an amount that becomes receivable by him after 28 April 1978 and before that time but not after 11 December 1979, and in respect of which the consideration given by him is a property, other than a share or a property that would have been for him a Canadian resource property if he had acquired it at the time when he gave the consideration, or services the cost of which may reasonably be considered to be an expenditure originally included:

(1) in computing his earned depletion base by reason of paragraph *a*, *b* or *c* of section 360R19 or paragraph *c* of section 360R24; or

(2) where the taxpayer acquired a property in circumstances where section 360R7 applies, in computing the earned depletion base of an original owner of the

property by reason of paragraph *a*, *b* or *c* of section 360R19 or paragraph *c* of section 360R24, as they applied to the original owner;

iv. of 33 $\frac{1}{3}$ % of the aggregate of the amounts each of which is an amount, established according to section 360R17.1, related to the disposition, after 28 April 1978 and before that time but not after 11 December 1979, of a property of the taxpayer, other than a property already used by him and disposed of by him in favour of a person with whom he did not deal at arm's length, the capital cost of which was included:

(1) in computing the earned depletion base of the taxpayer by reason of paragraph *d* of section 360R19 or paragraph *a* or *b* of section 360R24; or

(2) where the taxpayer acquired a property in circumstances where section 360R7 applies, in computing the earned depletion base of an original owner of the property by reason of paragraph *d* of section 360R19 or paragraph *a* or *b* of section 360R24, as they applied to the original owner;

v. of any amount that is required to be deducted not later than that time in computing his earned depletion base, as the case may be, under paragraph *a* of section 360R28 or under section 360R28 as it read in its application to a taxation year ending before 18 February 1987;

vi. of 33  $\frac{1}{3}$  % of the aggregate of the amounts each of which is related to an amount of assistance or benefit described in the first paragraph of section 360R17.2 and is equal:

(1) in the case provided for in subparagraph *a* of the second paragraph of section 360R17.2, to the stated percentage of the amount of assistance or benefit; or

(2) in the case provided for subparagraph *b* of the second paragraph of section 360R17.2, to the amount obtained by applying to the amount of assistance or benefit the stated percentage, in respect of the expenses contemplated in that subparagraph *b*, for the calendar year during which the taxpayer or the original owner contemplated in subparagraph *b* of the first paragraph of that section 360R17.2, as the case may be, incurred those expenses; and”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**44.** 1. The following is inserted after section 360R17:

“**360R17.0.1.** For the purposes of paragraph *a* of section 360R17, a reference, in the part of subparagraph *i* of that paragraph *a* preceding clause 1 and in subparagraph *ii* of that paragraph, to the amount of a particular expenditure shall be interpreted, if it is an expenditure contemplated in one of paragraphs *b* or *d* of section 360R19, *b.1* to *e* of section 360R19.1 or *a* or *b* of section 360R24, as a reference to the stated percentage of the amount of that expenditure.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**45.** 1. The following is substituted for sections 360R17.1 and 360R17.2:

“**360R17.1.** For the purposes of subparagraph *iv* of paragraph *b* of section 360R17, the amount related to the disposition of a property is equal to the lesser of the following amounts:

(a) the proceeds of the disposition of the property; or

(b) the capital cost of the property to the taxpayer, where clause 1 of that subparagraph *iv* applies, or to the original owner, where clause 2 of that subparagraph *iv* applies, computed without including therein the cost of borrowing capital, including a cost incurred before the start of operations of a business.

**360R17.2.** The amount of assistance or benefit contemplated in subparagraph *vi* of paragraph *b* of section 360R17 in respect of a taxpayer at the particular time contemplated in that section is an amount of assistance or benefit that is related to Canadian exploration expenses or Canadian development expenses or that may reasonably be related to Canadian exploration activities or Canadian development activities, whether that amount is in the form of a subsidy, bonus, rebate, forgivable loan, deduction from royalty or tax, rebate on royalty or tax, investment allowance or any other form:

(a) that the taxpayer received or was entitled to receive before the particular time or becomes entitled to receive at that time or thereafter; or

(b) that an original owner or a predecessor owner of a property received or was entitled to receive before the particular time or becomes entitled to receive at that time or thereafter, where the original owner or the predecessor owner received, became entitled to receive or becomes entitled to receive that amount:

i. at the time or after the time when the property was acquired by the taxpayer in circumstance where section 360R7 applies; or

ii. before the time when the taxpayer becomes the predecessor owner of the property.

For the purposes of subparagraph *vi* of paragraph *b* of section 360R17:

(*a*) the case contemplated in clause 1 of that subparagraph *vi* is a case where the assistance or the benefit is related to an amount included, by reason of paragraph *b* of section 360R19 or paragraph *b.1* or *c* of section 360R19.1, in computing the earned depletion base of the taxpayer or the part of the earned depletion base of the original owner contemplated in subparagraph *b* of the first paragraph that is included in computing an amount contemplated in subparagraph *a* of the first paragraph of section 360R7 before the particular time contemplated in section 360R17;

(*b*) the case contemplated in clause 2 of that subparagraph *vi* is a case where the assistance or the benefit is related to Canadian oil and gas exploration expenses included, by reason of paragraph *a* or *b* of section 360R19.1, in computing the earned depletion base of the taxpayer or the part of the earned depletion base of the original owner contemplated in paragraph *b* of the first paragraph that is included in computing an amount contemplated in subparagraph *a* of the first paragraph of section 360R7 before the particular time contemplated in section 360R17.

In the second paragraph, the earned depletion base of the taxpayer does not include the part of his earned depletion base that is included in computing an amount contemplated in subparagraph *a* of the first paragraph of section 360R7 before the particular time contemplated in section 360R17.”

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**46.** 1. Section 360R18 is amended by substituting the following for the part preceding paragraph *b*:

“**360R18.** The expenditures contemplated in clause 1 of subparagraph *i* of paragraph *a* of section 360R17 and in subparagraph *ii* of that paragraph *a* are expenditures that were incurred in Québec after 31 December 1974 in respect of an oil business by the taxpayer contemplated in that section, other than expenditures contemplated in section 360R55 in respect of such business, and that would be described in sections 360R19 to 360R26:

(*a*) if sections 395 and 408 of the Act were read with the word “Québec” being substituted for the word “Canada” wherever it occurs; and”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987. Furthermore, where section 360R18 of the Regulation respecting the Taxation Act, amended by that subsection, applies after 31 July 1982, it shall be read, in the French text, with the words “d’une telle entreprise,” being substituted for the words “d’une telle entreprise” in the part preceding paragraph *a* and with “; et” being substituted for “: et” at the end of paragraph *a*.

**47.** 1. Section 360R19.1 is amended by substituting the following for paragraphs *d* and *e*:

“(d) the capital cost to it of tertiary recovery equipment; or

(e) the capital cost to it of property that is included in Class 10 of Schedule B under paragraph *o* of subsection 2 of that Class or that would be so included therein but for Class 41 of that Schedule.”.

2. Subsection 1, where it replaces paragraph *e* of section 360R19.1 of the Regulation respecting the Taxation Act, applies from the 1988 taxation year.

**48.** 1. Section 360R23.1 is amended by substituting the following for paragraphs *b* to *c*:

“(b) in respect of Canadian development expenses, the following amounts:

- i. an amount contemplated in section 360R22;
- ii. an amount that is a Canadian exploration and development overhead expense;

iii. the eligible expenses, within the meaning of the Canadian Exploration and Development Incentive Program Act (Revised Statutes of Canada (1985), c. 15, 3<sup>rd</sup> suppl.), in respect of which the taxpayer, a partnership of which he is a member, a development corporation of which he is a shareholder or a joint exploration corporation of which it is a shareholder corporation has received, is entitled to receive or may reasonably expect to receive, at any time, a payment under that Act;

(b.1) in respect of Canadian exploration expenses, the part of those expenses that is, as the case may be:

- i. described in one of paragraphs *a* to *d* or *f* of section 360R21;
- ii. included in the amount determined under paragraph *a* or *b* of section 360R19.1;

iii. expenses described in subparagraph iii of paragraph *b*;

iv. the eligible expenses, within the meaning of the Canadian Exploration Incentive Program Act (Revised Statutes of Canada (1985), c. 27, 4<sup>th</sup> suppl.), in respect of which the taxpayer, a partnership of which he is a member or a development corporation of which it is a shareholder corporation has received, is entitled to receive or may reasonably expect to receive, at any time, an incentive under that Act;

(*c*) in respect of a property that is included in Class 10 of Schedule B under paragraph *o* of subsection 2 of that Class or that would be so included therein but for Class 41 of that Schedule, the capital cost of a property that, before its acquisition by the taxpayer, was used by a person with whom he did not deal at arm's length.”.

2. Subsection 1, where it replaces paragraph *b* of section 360R23.1 of the Regulation respecting the Taxation Act, applies in respect of expenses incurred after 31 March 1987. Notwithstanding the foregoing, where subparagraph iii of paragraph *b* of section 360R23.1 of that Regulation, made by subsection 1, applies before 1 May 1989, it shall be read with the words “(Statutes of Canada)” being substituted for the words “(Revised Statutes of Canada (1985), c. 15, 3<sup>rd</sup> suppl.)”.

3. Subsection 1, where it replaces paragraph *b.1* of section 360R23.1 of the Regulation respecting the Taxation Act, applies in respect of expenses incurred after 30 September 1988. Notwithstanding the foregoing, where subparagraph iv of paragraph *b.1* of section 360R23.1 of that Regulation, made by subsection 1, applies before 1 November 1989, it shall be read with the words “(Statutes of Canada)” being substituted for the words “(Revised Statutes of Canada (1985), c. 27, 4<sup>th</sup> suppl.)”.

4. Subsection 1, where it replaces paragraph *c* of section 360R23.1 of the Regulation respecting the Taxation Act, applies from the 1988 taxation year.

**49.** 1. Section 360R24 is amended

(1) by substituting the words “property that is included in Class 10 of Schedule B under paragraph *e* of subsection 2 of that Class” for the words “property that is described in paragraph *e* of subsection 2 of Class 10 of Schedule B,” in the part of paragraph *a* preceding subparagraph *i*;

(2) by substituting the following for the part of paragraph *b* preceding subparagraph *iii*:

“(b) all expenditures, other than those contemplated in paragraph *a* or in section 360R19 or 360R19.1, that were incurred by a taxpayer before the particular time contemplated in section 360R17 and each of which is the capital cost to him of property included in Class 28 of Schedule B or in Class 41 of that Schedule under subparagraph *a* of the first paragraph of that Section 41, other than property, as the case may be:

i. included in that Class by reason of the reference, in Class 28 of Schedule B, to paragraph *m* of subsection 2 of Class 10 of that Schedule;

ii. acquired before 17 November 1978 and included in that Class by reason of the reference, in clause i of subparagraph *d* of the first paragraph of Class 28 of Schedule B, to paragraph *f* of subsection 2 of Class 10 of that Schedule;”;

(3) by substituting a semicolon for the period at the end of paragraph *d*;

(4) by adding the following after paragraph *d*:

“(e) three times the aggregate of the amounts each of which is the amount determined under section 360R28.0.1 in respect of the taxpayer for a taxation year ending after 17 February 1987 and before the particular time contemplated in section 360R17.”.

2. Paragraphs 1 and 2 of subsection 1 apply from the 1988 taxation year.

3. Paragraphs 3 and 4 of subsection 1 apply to a taxation year commencing after 17 February 1987.

**50.** 1. The following is substituted for section 360R26:

“**360R26.** The expenditures contemplated in sections 360R19, 360R19.1, 360R24 and 360R25 do not include expenditures incurred to acquire a property in circumstances that permit a taxpayer to claim a deduction under section 360R7, or that would permit him to do so if the amounts contemplated in subparagraphs *a* and *b* of the first paragraph of that section 360R7 were sufficient.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**51.** 1. The following is substituted for section 360R28:

“**360R28.** The following rules apply where, during a taxation year ending after 17 February 1987, an original

owner of a particular property disposes of it in circumstances where section 360R7 applies:

(a) in computing the earned depletion base of the original owner at any time after the time that is immediately after the disposition, the amount of his earned depletion base determined immediately after the time of the disposition shall be deducted;

(b) for the purposes of subparagraph a of the first paragraph of section 360R7, the earned depletion base of the original owner, determined immediately after the time of the disposition, that was deducted in computing his income for the year is deemed to be equal to the lesser of the following amounts:

i. the amount deducted in respect of the disposition under paragraph a; or

ii. the amount by which:

(1) the amount determined under section 360R28.0.1 in respect of the original owner for the year; exceeds

(2) the aggregate of the amounts each of which is an amount determined under this paragraph in respect of a disposition made by the original owner during the year and before the disposition of the particular property;

(c) an amount, other than the amount determined under paragraph b, that the original owner deducts under section 360R6 for the year or for a subsequent taxation year is deemed, for the purposes of subparagraph a of the first paragraph of section 360R7, not to be related to his earned depletion base determined immediately after he disposed of the particular property.”

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**52.** 1. The Regulation is amended by inserting the following after section 360R28:

“**360R28.0.1.** Where, during a taxation year ending after 17 February 1987, an original owner of a property disposes of it in circumstances where section 360R7 applies, the amount determined in respect of the original owner for the year is, for the purposes of paragraph e of section 360R24 and of paragraph b of section 360R28, equal to the lesser of the following amounts:

(a) the aggregate of the amounts each of which is equal to the amount by which:

i. the amount deducted under paragraph a of section 360R28 in respect of such disposition during the year by the original owner; exceeds

ii. the amount that the original owner designates, in prescribed form filed with the Minister within six months following the end of the year, in respect of the amount determined under subparagraph i; or

b) the amount deducted by the original owner under section 360R6 in computing his income for the year.”

2. Subsection 1 applies, subject to subsection 3, to a taxation year ending after 17 February 1987. Notwithstanding the foregoing, a designation contemplated in subparagraph ii of paragraph a of section 360R28.0.1 of the Regulation respecting the Taxation Act, made by subsection 1, made by notifying the Minister of Revenue in writing not later than the 180<sup>th</sup> day following the taxpayer’s taxation year comprising the date of the publication of this Regulation in the *Gazette officielle du Québec*, is deemed to have been made in compliance with that subparagraph ii.

3. Paragraph a of section 360R28.0.1 of the Regulation respecting the Taxation Act, made by subsection 1, where it applies in respect of a disposition of property made by a taxpayer during a taxation year commencing before 24 March 1993, shall be read

(a) either as made by that subsection 1, where the following persons so elect by means of a notice in writing sent to the Minister of Revenue not later than the 180<sup>th</sup> day following the taxpayer’s taxation year comprising the date of the publication of this Regulation in the *Gazette officielle du Québec*:

i. the taxpayer;

ii. each corporation that, before the end of the taxpayer’s taxation year comprising 24 March 1993, acquired the property or any other property disposed of by the taxpayer during a taxation year ending after 17 February 1987 in the course of an event or a transaction by reason of which the corporation was entitled, in respect of an expenditure of the taxpayer, to deduct an amount under section 360R7 of that Regulation or would have been so entitled but for this paragraph a;

(b) or as follows, in all other cases:

“(a) the aggregate of the amounts each of which is the amount deducted under paragraph a of section 360R28 in respect of such disposition in the year by the original owner; or”

**53.** 1. Section 360R28.1 is revoked.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**54.** 1. Section 360R28.2 is amended

(1) by substituting the following for the part preceding paragraph *d*:

**“360R28.2.** Where, at any time after 12 November 1981, control of a corporation is considered, for the purposes of section 418.26 of the Act, to be acquired by a person or group of persons or where a corporation ceases to be exempt from tax on its taxable income under Part I of the Act, the following rules shall be taken into account for the purposes of applying sections 360R5.7 to 360R7.2 and 360R17 to 360R28.6:

(*a*) a joint election is deemed to have been filed in respect of the acquisition in accordance with section 360R5.8;

(*b*) the corporation is deemed, after that time, to be a corporation that, at that time, acquired from an original owner all of the property that was owned by it immediately before that time;

(*c*) the earned depletion base of the corporation immediately before that time is deemed not to be that of the corporation immediately after that time but that of the original owner immediately after that time;

(*c.1*) where the corporation, referred to in this paragraph as the “transferee”, is, at that time and immediately before that time, a particular person, within the meaning of subsection 5 of section 544 of the Act, or a subsidiary wholly-owned corporation, within the meaning of that subsection, of another corporation, referred to in this paragraph and in section 360R28.2.1 as the “transferor”:

i. the transferor may designate in favour of the transferee, for a taxation year of the transferor ending after that time, if throughout that year the transferee is such particular person or such subsidiary wholly-owned corporation of the transferor, an amount not exceeding the amount contemplated in section 360R28.2.1, for the purposes of making a deduction under section 360R7 in respect of the expenditures incurred before that time by the transferee and when it was such particular person or such subsidiary wholly-owned corporation of the transferor, to the extent that the amount so designated was not designated in favour of another taxpayer under this paragraph or in favour of any taxpayer under paragraph *f* of section 418.26 of the Act and only if both corporations agree to avail themselves of this paragraph for that year and so notify the Minister in writing in the fiscal return of the transferor under Part I of the Act for that year;

ii. the amount so designated is deemed, for the purposes of computing the amount under section 360R7, an income of the transferee from the sources described in paragraph *a*, *b* or *c*, as the case may be, of section 360R28.2.1 for its taxation year during which that taxation year of the transferor ends and not an income of the transferor from those sources for that year;”;

(2) by striking out paragraphs *d* and *e*;

(3) by adding the following after paragraph *e*:

“(f) where, at that time and immediately before that time, the corporation, referred to in this paragraph as the “transferee”, and another corporation, referred to in this paragraph as the “transferor”, are both subsidiary wholly-owned corporations, within the meaning of subsection 5 of section 544 of the Act, of the same particular person, within the meaning of that subsection 5, and where the transferee and the transferor agree to avail themselves of this paragraph for a taxation year of the transferor ending after that time and so notify the Minister thereof in writing in the fiscal return of the transferor under Part I of the Act for that year, paragraph *c.1* applies for that year to the transferee and the transferor as if one of them were, in relation to the other, the particular person within the meaning of subsection 5 of section 544 of the Act;

(g) where that time is subsequent to 15 January 1987 and where, at that time, the corporation is a member of a partnership that is, at that time, the owner of a property:

i. for the purposes of paragraph *b*, the corporation is deemed to have been the owner, immediately before that time, of the part of that property owned by the partnership at that time, corresponding to the percentage of its share in the aggregate of the amounts that would be paid to all the members of the partnership if it were dissolved at that time;

ii. for the purposes of subclauses 3 and 4 of clause i of subparagraph *a* of the second paragraph of section 360R7 for a taxation year ending after that time, the lesser of the following amounts is deemed to be the income of the corporation for the year that may reasonably be attributed to the production from the property or to the processing contemplated in subparagraph ii or iii of paragraph *b* of section 360R12 or in paragraph *b* of section 360R14 using the property:

(1) its share of the part of the income of the partnership for the fiscal period of the partnership ending in the year that may reasonably be attributed to the production from the property or to the processing contemplated in subparagraph ii or iii of paragraph *b* of section 360R12 or in paragraph *b* of section 360R14 using the property; or

(2) the amount that would be determined for the year under clause 1, if its share of the income of the partnership for the fiscal year of the partnership ending in the year were determined on the basis of the percentage of its share contemplated in subparagraph *i*.”

2. Subsection 1 applies to a taxation year ending after 17 February 1987. Notwithstanding the foregoing, paragraphs *c.1* and *f* of section 360R28.2 of the Regulation respecting the Taxation Act, made by subsection 1, where they do not apply in respect of an amalgamation occurring after 21 December 1992, shall be read with the words “particular corporation” being substituted for the words “particular person” wherever they occur and the notice contemplated in any of those paragraphs is deemed to have been made in compliance with that paragraph if it is sent to the Minister of Revenue in writing not later than the 180<sup>th</sup> day following the date of the publication of this Regulation in the *Gazette officielle du Québec*.

3. Furthermore, where paragraph *c.1* of section 360R28.2 of the Regulation respecting the Taxation Act, replaced by subsection 1, applies to a taxation year subsequent to the 1985 taxation year, it shall be read with the words “in favour of another taxpayer under this paragraph or in favour of any taxpayer under paragraph *e* of section 384.1 of the Act” being substituted for the words “in favour of any other taxpayer under this paragraph or under paragraph *e* of section 384.1 of the Act”.

**55.** 1. The following is substituted for section 360R28.2.1:

“**360R28.2.1.** The amount not to be exceeded referred to in paragraph *c.1* of section 360R28.2 is the amount equal to the part of the income of the transferor for the year contemplated in that paragraph before any deduction under section 86 of the Act respecting the application of the Taxation Act (1972, c. 24) or sections 359 to 419.8 of the Act that may reasonably be attributed to:

(a) the production from Canadian resource properties owned by the transferor immediately before the time contemplated in section 360R28.2;

(b) the disposition, during the year contemplated in that paragraph *c.1*, of Canadian resource properties owned by the transferor immediately before the time contemplated in section 360R28.2; and

(c) the processing contemplated in subparagraph ii or iii of paragraph *b* of section 360R12 or in paragraph *b* of section 360R14 using property owned by the transferor immediately before the time contemplated in section 360R28.2.”

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**56.** 1. The Regulation is amended by inserting the following after section 360R28.2.1:

“**360R28.2.2.** Where, at any time, control of a taxpayer that is a corporation is acquired by a person or group of persons or where a taxpayer disposes of his specified property or all or substantially all of his Canadian resource properties and where, before that time, the taxpayer or a partnership of which he was a member acquired a property and it is reasonable to consider that one of the principal purposes of such acquisition was to avoid a restriction provided for in section 360R7 related to the deduction in respect of the earned depletion base of the taxpayer or a corporation referred to in paragraph *c.1* or *f* of section 360R28.2 as the “transferee”, the taxpayer or the partnership, as the case may be, is deemed, for the purposes of applying section 360R7 to or in respect of the taxpayer, not to have acquired the property.”

2. Subsection 1 applies to a taxation year ending after 17 February 1987, except in respect of property acquired before 15 January 1987, or before 1 January 1988 where the person who acquired the property is considered, for the purposes of sections 418.16 to 418.36 of the Taxation Act (R.S.Q., c. I-3), to have been required on 15 January 1987 to acquire the property in compliance with an agreement in writing entered into not later than 15 January 1987.

**57.** 1. Sections 360R28.3 to 360R28.5 are revoked.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**58.** 1. The following is substituted for section 360R28.6:

“**360R28.6.** For the purposes of sections 360R27 and 360R28.2, where a corporation acquired the control of another corporation between 12 November 1981 and 1 January 1983 as a result of the acquisition of shares of the other corporation in accordance with an agreement in writing entered not later than 12 November 1981, the corporation is deemed to have acquired control of it not later than that latter date.”

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**59.** 1. Section 360R30 is amended

(1) by substituting the words “within six months” and “paragraphs “*a* to *b.1*, *c* and *c.1*” or “*a* to *c.1*”, as the case may be,” for the words “within 6 months” and “paragraphs “*a* to *c.1*”” respectively in subparagraph *i* of paragraph *a*;

(2) by substituting the following for paragraph *b*:

“(b) where the taxpayer is a corporation contemplated in section 360R36, of any amount required by paragraph *a* of that section to be added in computing his exploration account before the particular time.”.

2. Paragraph 1 of subsection 1 has effect from 18 June 1987.

3. Paragraph 2 of subsection 1 applies to a taxation year ending after 17 February 1987.

**60.** 1. Section 360R30.1 is amended by substituting the following for paragraphs *b* and *c*:

“(b) of 66 <sup>2</sup>/<sub>3</sub>% of the amounts that become receivable by the taxpayer after 28 March 1979 and before that time but not after 11 December 1979 and in respect of which the consideration given by him is a property, other than a share or a property that would have been for him a Canadian resource property if he had acquired it at the time when he gave the consideration, or services the cost of which may reasonably be considered as representing primarily an expenditure related to an oil or gas well in respect of which an amount was included, under paragraph *a* of section 360R30, in computing his exploration account or, where the taxpayer is a corporation contemplated in section 360R36, in computing the exploration account of the person from whom the taxpayer acquired a property; and

(c) where the taxpayer is a person from whom a property was acquired in accordance with section 360R36, of any amount required by paragraph *b* of that section to be deducted in computing his exploration account before that time.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**61.** 1. The following is substituted for sections 360R35 and 360R36:

“**360R35.** In this Division and notwithstanding the definition of the expression “oil or gas well” provided for in section 1 of the Act, an oil or gas well means a well drilled for the purpose of producing petroleum or natural gas or determining the existence of an accumulation of petroleum or natural gas, other than a mineral

resource, locating such accumulation or determining its extent or quality.

**360R36.** Subject to sections 360R5.7 and 360R5.8, where, at any time during a taxation year and after 19 April 1983, a corporation acquires a property from another person, the following rules apply:

(a) the corporation shall, for the purposes of computing its exploration account at a particular time after that acquisition, add the excess amount computed under paragraph *b* in respect of that other person;

(b) the other person shall, for the purposes of computing its exploration account at a particular time after its taxation year during which that acquisition occurs, deduct the amount by which its exploration account immediately after that acquisition, assuming for that purpose, where that acquisition results from an amalgamation contemplated in section 544 of the Act, that it continued to exist after that acquisition and that no property was acquired or disposed of in the course of the amalgamation, exceeds the amount deducted under section 360R29 in computing its income for that taxation year.”.

2. Subsection 1, where it replaces section 360R35 of the Regulation respecting the Taxation Act, applies to a taxation year ending after 31 March 1985. Notwithstanding the foregoing, where section 360R35 of that Regulation, made by that subsection, applies before 26 January 1994, it shall be read with the words “and in paragraph *i.1* of section 360R2” being inserted after the words “provided for in section 1 of the Act”.

3. Subsection 1, where it replaces section 360R36 of the Regulation respecting the Taxation Act, applies to a taxation year ending after 17 February 1987.

**62.** 1. Sections 360R37 and 360R37.2 are revoked.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**63.** 1. Section 360R48 is amended by substituting the following for paragraph *c*:

“(c) where the taxpayer is a corporation contemplated in section 360R51, of any amount required by paragraph *a* of that section to be added before that time in computing its additional depletion.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**64.** 1. Section 360R49 is amended

(1) by substituting the words “de qui le contribuable a acquis un bien” for the words “de qui le contribuable a acquis les biens” in the French text of paragraphs *c* and *e*;

(2) by substituting the following for paragraph *f*:

“(f) where the taxpayer is a person from whom property was acquired under section 360R51, of any amount required by paragraph *b* of that section to be deducted before that time in computing his additional depletion.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**65.** 1. The following is substituted for sections 360R50 and 360R51:

“**360R50.** For the purposes of paragraphs *c* and *e* of section 360R49, each amount is equal to the lesser of the proceeds of disposition of the property and its capital cost to the taxpayer or the person from whom property was acquired in accordance with section 360R51, computed without including therein the cost of borrowing capital, including a cost incurred before the start of operations of a business.

**360R51.** Subject to sections 360R5.7 and 360R5.8, where, at any time in a taxation year and after 19 April 1983, a corporation acquires property from another person, the following rules apply:

(a) the corporation shall, for the purposes of computing its additional depletion at a particular time after that acquisition, add the excess amount computed under paragraph *b* in respect of the other person;

(b) the other person shall, for the purposes of computing its additional depletion at a particular time after its taxation year during which that acquisition occurs, deduct the amount by which its additional depletion immediately after that acquisition, assuming for that purpose, where that acquisition results from an amalgamation contemplated in section 544 of the Act, that it continued to exist after that acquisition and that no property was acquired or disposed of in the course of the amalgamation, exceeds the amount deducted under section 360R47 in computing its income for that taxation year.”.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**66.** 1. Sections 360R52 to 360R52.2 are revoked.

2. Subsection 1 applies to a taxation year ending after 17 February 1987.

**67.** 1. The following is substituted for the heading of Division X of Chapter III of Title XIV:

“AMALGAMATIONS AND WINDING-UPS”.

2. Subsection 1 applies in respect of an amalgamation or a winding-up commencing after 31 December 1982.

**68.** 1. The following is substituted for section 360R58:

“**360R58.** Where there is an amalgamation of a particular corporation with another corporation and subsection 4 of section 544 of the Act applies to the new corporation or where the property of a subsidiary is attributed to its parent during the winding-up of the subsidiary and section 565.1 of the Act applies to the parent, the new corporation or the parent, as the case may be, is deemed to be the same corporation as the particular corporation or the subsidiary, as the case may be, and to continue its corporate existence for the purposes of:

(a) computing the mining exploration depletion, within the meaning of sections 360R16.2 to 360R16.4, the depletion for oil and gas exploration, within the meaning of sections 360R16.10 to 360R16.12, the earned depletion base, the exploration account, within the meaning of sections 360R30 and 360R30.1, and the additional depletion, within the meaning of sections 360R48 to 360R50, of the new corporation or the parent, as the case may be; and

(b) determining the amounts that may be deducted under section 360R7 in computing the income of the new corporation or the parent, as the case may be, for a particular taxation year.”.

2. Subsection 1 applies in respect of an amalgamation or a winding-up occurring during a taxation year ending after 17 February 1987.

**69.** 1. The following is inserted after section 360R58:

“**360R58.1.** Where there is an amalgamation, within the meaning of subsection 1 of section 544 of the Act, of two or more particular corporations to form a single corporate entity, that entity is deemed, for the purposes of section 360R28.2.2, to be the same corporation as each of the particular corporations and to continue their corporate existence.

**360R58.2.** Where there is a winding-up of a taxable Canadian corporation in circumstances where sections 556 to 564.1 and 565 of the Act apply to that corporation

and to another taxable Canadian corporation, the latter corporation is deemed, for the purposes of section 360R28.2.2, to be the same corporation as the wound-up corporation and to continue its corporate existence.”

2. Subsection 1 applies in respect of an amalgamation or a winding-up occurring after 15 January 1987.

**70.** 1. The following is substituted for section 400R1:

“**400R1.** For the purposes of paragraph *b* of section 400 of the Act, a prescribed deduction in respect of a corporation for a taxation year means an amount deducted by the corporation under section 360R7 in computing its income for the year.”

2. Subsection 1 applies to a taxation year ending after 17 February 1987. Notwithstanding the foregoing, where section 400R1 of the Regulation respecting the Taxation Act, made by that subsection, applies to a taxation year ending before 3 December 1992, it shall be read with the words “the first paragraph” being substituted for the words “paragraph *b*”.

**71.** 1. Section 488R1 is amended

(1) by substituting the following for paragraph *e*:

“(*e*) an amount which is specifically exempt from income tax under a statute of Québec or of the Government of Canada, other than the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.), the Indian Act (Revised Statutes of Canada (1985), c. I-5), the Foreign Missions and International Organizations Act (Statutes of Canada, 1991, c. 41) and the Act respecting industrial accidents and occupational diseases (R.S.Q., c. A-3.001), and which is not an amount that is exempt by reason of a provision of a tax agreement having force of law in Québec and entered into by Québec and a particular country in matters of income tax or a tax convention or agreement having force of law in Canada and entered into by Canada and a particular country in matters of income tax;”;

(2) by substituting the words “(Revised Statutes of Canada (1985), c. F-11)” for the words “(Statutes of Canada)” in paragraph *k*;

(3) by striking out the words “(Revised Statutes of Canada (1985), c. F-11)” in paragraph *m.1*.

2. Paragraphs 1 and 3 of subsection 1 apply from the 1992 taxation year. Furthermore, paragraph *e* of section 488R1 of the Regulation respecting the Taxation Act, replaced by that subsection 1, shall be read

(*a*) with the words “Indian Act (Revised Statutes of Canada (1985), c. I-5)” being substituted for the words “Indian Act (Statutes of Canada)” where it applies after 11 December 1988; and

(*b*) with the words “other than the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.)” being substituted for the words “other than the Income Tax Act (Statutes of Canada)” where it applies to a taxation year ending after 30 November 1991.

3. Paragraph 2 of subsection 1 has effect from 12 December 1988.

**72.** 1. The following is substituted for section 570R3:

“**570R3.** The expression “public corporation” has the meaning assigned to the expression “public corporation” by section 89 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.) and the regulations made under that section.”.

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**73.** 1. The following is substituted for section 583R1:

“**583R1.** For the purposes of paragraph *a* of section 583 of the Act, the prescribed amount is an amount equal to that contemplated in paragraph *b* of the definition of the expression “foreign accrual tax” in subsection 1 of section 95 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.), computed at the same time and for the same purposes, and the tax factor is equal to 2 in the case of an individual or, in the case of a corporation, to the amount obtained by dividing 1 by the percentage contemplated in section 123 of that Act for the taxation year.”.

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**74.** 1. The following is substituted for section 726.4.12R2:

“**726.4.12R2.** An expenditure in respect of which an amount is added to the individual’s mining exploration depletion, within the meaning of sections 360R16.2 to 360R16.4, or to his depletion for oil and gas exploration, within the meaning of sections 360R16.10 to 360R16.12, is a prescribed expenditure contemplated in paragraph *e* of section 726.4.12 of the Act.”.

2. Subsection 1 applies from the 1988 taxation year.

**75.** 1. The following is substituted for section 832.3R2:

“**832.3R2.** For the purposes of subparagraph *b* of the first paragraph of section 832.3 of the Act, a prescribed corporation is a qualified related corporation within the meaning of subsection 8 of section 219 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.) in respect of the insurer contemplated in that section 832.3.”

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**76.** 1. The following is substituted for section 976R1:

“**976R1.** The tax contemplated in paragraph *g* of section 976 of the Act is that provided for in paragraph *o* of subsection 1 of section 212 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.)”.

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**77.** 1. Section 985.9.2R1 is amended

(1) by substituting the word “bienfaisance” for the word “charité” in the French text of paragraph *d*;

(2) by substituting the following for paragraph *e*:

“(e) “non-qualified investment” has the meaning assigned to it by subsection 1 of section 149.1 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.)”.

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**78.** 1. Section 1015R1 is amended in paragraph *d*;

(1) by substituting the following for subparagraphs *vii* to *ix*:

“vii. a payment as a benefit under the Unemployment Insurance Act (Revised Statutes of Canada (1985), c. U-1) or under a supplementary unemployment benefit plan;

viii. a training allowance paid under the National Training Act (Revised Statutes of Canada (1985), c. N-19), except to the extent that that allowance is paid as personal or living expenses while the recipient lives elsewhere than at his place of residence;

ix. a payment under a deferred profit sharing plan or a plan designated in subsection 15 of section 147 of the

Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.) as a revoked plan, reduced by the amounts determined under sections 883, 884 and 886 of the Act;”;

(2) by substituting the following for subparagraph *xii*:

“xii. a payment that is a benefit of a registered retirement savings plan or under such a plan paid during his lifetime to an individual contemplated in the definition of the expression “retirement savings plan” provided for in subsection 1 of section 146 of the Income Tax Act for whom a retirement income is provided by the plan, excluding a periodical annuity payment or a payment made by a person who has reasonable grounds to believe that the payment is deductible in computing an individual’s income under section 924 of the Act;”;

(3) by substituting the following for subparagraph *xiv*:

“xiv. a benefit under the Labour Adjustment Benefits Act (Revised Statutes of Canada (1985), c. L-1);”.

2. Paragraph 1 of subsection 1, where it replaces subparagraphs *vii* and *viii* of paragraph *d* of section 1015R1 of the Regulation respecting the Taxation Act, and paragraph 3 of subsection 1 have effect from 12 December 1988.

3. Paragraph 1 of subsection 1, where it replaces subparagraph *ix* of paragraph *d* of section 1015R1 of the Regulation respecting the Taxation Act, and paragraph 2 of subsection 1 apply in respect of a payment made, after 31 December 1990, during a taxation year ending after 30 November 1991.

**79.** 1. Section 1015R11 is amended

(1) by substituting the following for paragraph *c*:

“(c) a payment under a deferred profit sharing plan or a plan designated in subsection 15 of section 147 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.) as a revoked plan, excluding a payment contemplated in subparagraph *v* of paragraph *k* of subsection 2 of section 147 of that Act;”;

(2) by substituting the following for paragraph *f*:

“(f) a payment that is a benefit of a registered retirement savings plan or under such a plan paid during his lifetime to an individual contemplated in the definition of the expression “retirement savings plan” provided for in subsection 1 of section 146 of the Income Tax Act for whom a retirement income is provided by the plan, excluding a periodical annuity payment or a payment made by a person who has reasonable grounds to believe

that the payment is deductible in computing an individual's income under section 924 of the Act;"

2. Subsection 1 applies in respect of a payment made, after 31 December 1990, during a taxation year ending after 30 November 1991.

**80.** 1. The following is substituted for section 1108R1:

"**1108R1.** The expression "mortgage investment corporation" means a corporation that, throughout the taxation year in question, is a mortgage investment corporation within the meaning of section 130.1 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.)."

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**81.** 1. The following is substituted for section 1116R1:

"**1116R1.** The capital gains dividend account of a mutual fund corporation, at a particular time, means an amount equal to that so computed at the same time under section 131 of the Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.)."

2. Subsection 1 applies to a taxation year ending after 30 November 1991.

**82.** 1. Chapter IV of Title XXXII is revoked.

2. Subsection 1 applies in respect of the computation of the tax payable for a taxation year of a corporation commencing after 31 December 1992.

**83.** 1. Class 10 of Schedule B is amended by substituting the following for paragraph *n* of the subsection 2 in the French text:

"(n) les biens acquis après le 22 mai 1979 et conçus principalement pour déterminer l'existence d'une ressource minérale ou d'un gisement de pétrole ou de gaz naturel, situer une telle ressource ou un tel gisement ou en déterminer l'étendue ou la qualité, ou pour forer un puits de pétrole ou de gaz, à l'exclusion toutefois des biens compris dans une catégorie distincte aux termes de l'article 130R87;"

**84.** 1. Class 12 of Schedule B is amended by substituting the following for paragraph *f* of the first paragraph:

"(f) a mine shaft, mine haulage way or similar underground work, designed for continuing use, or any extension thereof, sunk or constructed after the mine came

into production, to the extent that that property was acquired before 1 January 1988;"

2. Subsection 1 applies from the 1988 taxation year.

**85.** Class 41 of Schedule B is amended by substituting the following for subparagraph ii of paragraph *b* of the first paragraph in the French text:

"ii. un navire, y compris le mobilier, l'agencement, le matériel de radiocommunication et tout autre matériel qui y sont fixés, qui est conçu principalement pour déterminer l'existence d'un gisement de pétrole ou de gaz naturel ou d'une ressource minérale, situer un tel gisement ou une telle ressource ou en déterminer l'étendue ou la qualité, ou pour forer un puits de pétrole ou de gaz."

**86.** 1. The Regulation is amended

(1) by substituting the words "Income Tax Act (Revised Statutes of Canada (1985), c. 1, 5<sup>th</sup> suppl.)" for the words "Income Tax Act (Statutes of Canada)" or "Income Tax Act (R.S.C., 1952, c. 148)", as the case may be, in sections 8R1, 47.16R1, 87R2 to 87R4, 92.11R2, 101.1R1, 101.3R1, 104R9, 125.1R2 to 130R1, 140.1R3, 225R1, 230.1R2, 247.1R1, 251R1, 257R2, 257R3, 308.1R1 and 336R6, in the part of subparagraph *b* of the definition of the expression "excluded obligation" in section 359.1R1 preceding clause *i*, in sections 360R38, 421.6R1.1, 462.13R1, 462.15R1, 487.2R1 and 503R1, in paragraph *a* of section 503.0.1R1, in section 503.1R1, in paragraph *a* of section 503.2R1, in sections 567R1 to 570R2, 574R1, 576.1R1, 579R1, 589R1 to 589R4, 694R1, 726.21R1, 736.1R1, 736.2R1 and 746R1 to 747R1, in paragraph *a* of section 776.7R1, in sections 776.10R1 to 776.12R1, 818R8, 841.1R1 to 844.3R1 and 861R1, in the part of paragraph *e* of section 890.1R1 preceding subparagraph *i*, in sections 892R1, 958R1 and 962R1, in subparagraph *a* of the first paragraph of section 985.5R1, in sections 998R2, 1086R12, 1106R1, 1106R2, 1113R1 and 1123R1 and in Classes 5, 19 to 21, 23 and 24 of Schedule B;

(2) by substituting the words "Income Tax Act (Statutes of Canada)" for the words "Income Tax Act (R.S.C., 1952, c. 148)" in sections 87R1, 130R68, 130R101, 130R200, 360R44, 485R3, 559R1 and 849R1;

(3) by substituting the words "Canada Oil and Gas Act (Revised Statutes of Canada (1985), c. O-6)" for the words "Canada Oil and Gas Act (Statutes of Canada)" in section 91R1;

(4) by substituting the words "hydrocarbures connexes" for the words "hydrocarbures apparentés"

everywhere they occur in the French text of sections 91R1, 143R2, 360R12.1 and 360R16 and Classes 13 and 14 of Schedule B;

(5) by substituting the words “Indian Act (Revised Statutes of Canada (1985), c. I-5)” for the words “Indian Act (R.S.C., 1970, c. I-6)” or “Indian Act (Statutes of Canada)”, as the case may be, in sections 91R1 and 488R2;

(6) by substituting the word “bienfaisance” for the word “charité” everywhere it occurs in the French text of paragraph *a.1* of section 712R1, struck out by section 9 of the Regulation to amend the Regulation respecting the Taxation Act, made by Order in Council 473-95 dated 5 April 1995, in paragraph *d* of section 712R1, in section 712R7, revoked by section 12 of the Regulation to amend the Regulation respecting the Taxation Act, made by that Order in Council 473-95, in section 716R1, in sections 752.0.10.1R3 to 752.0.10.3R1, 752.0.10.3R4 and 752.0.10.12R1, in the heading of Title XXV, in section 985.5R1, in the heading of Chapter II of Title XXV and in sections 985.9.2R2, 985.9.2R3 and 1086R12;

(7) by substituting the words “Statistics Act (Revised Statutes of Canada (1985), c. S-19)” for the words “Statistics Act (Statutes of Canada)” in section 92.19R8;

(8) by substituting the words “Motor Vehicle Safety Act (Revised Statutes of Canada (1985), c. M-10)” for the words “Motor Vehicle Safety Act (Statutes of Canada)” in section 125.1R1;

(9) by substituting the words “Canada Grain Act (Revised Statutes of Canada (1985), c. G-10)” for the words “Canada Grain Act (R.S.C., 1970, c. G-16)” in section 130R31;

(10) by substituting the words “Bank Act (Revised Statutes of Canada (1985), c. B-1)” for the words “Bank Act (Statutes of Canada)” in the definition of the expression “designated country” in section 140.1R1;

(11) by substituting the words “Bank Act” for the words “Bank Act (Statutes of Canada)” in the definition of the expressions “exposure to a designated country”, “general provisions”, “provisionable assets” and “specific provisions” in section 140.1R1;

(12) by substituting the words “Petroleum and Gas Revenue Tax Act (Revised Statutes of Canada (1985), c. P-12)” for the words “Petroleum Revenues Income Tax Act (Statutes of Canada)” in section 144.1R1;

(13) by substituting the words “Canada Shipping Act (Revised Statutes of Canada (1985), c. S-9)” for the

words “Canada Shipping Act (R.S.C., 1985, c. S-9)” in sections 154R4 to 154R6;

(14) by substituting the words “dépense en capital” for the words “dépense en immobilisation” everywhere they occur in the French text of section 230.1R2;

(15) by substituting the words “Cultural Property Export and Import Act (Revised Statutes of Canada (1985), c. C-51)” for the words “Cultural Property Export and Import Act (Statutes of Canada)” in section 232R1;

(16) by substituting the words “Canadian Exploration and Development Incentive Program Act (Revised Statutes of Canada (1985), c. 15, 3<sup>rd</sup> suppl.)” for the words “Canadian Exploration and Development Incentive Program Act (Statutes of Canada)” in section 359.1R1;

(17) by substituting the words “Canadian Exploration Incentive Program Act (Revised Statutes of Canada (1985), c. 27, 4<sup>th</sup> suppl.)” for the words “Canadian Exploration Incentive Program Act (Statutes of Canada)” in section 359.1R1;

(18) by substituting the words “Income Tax Act” for the words “Income Tax Act (Statutes of Canada)” in clause *ii* of subparagraph *b* of the definition of the expression “excluded obligation” in section 359.1R1, in paragraphs *b* and *c* of sections 503.0.1R1 and 503.2R1, in paragraphs *b* and *c* of section 776.7R1, in subparagraph *i* of paragraph *e* of section 890.1R1 and in subparagraph *b* of the first paragraph of section 985.5R1;

(19) by substituting the words “the Income Tax Application Rules (Revised Statutes of Canada (1985), c. 2, 5<sup>th</sup> suppl.)” for the words “Chapter 63 of the Statutes of Canada of 1970-71-72” in the part of section 360R4 preceding paragraph *a* and in sections 360R20 and 360R44;

(20) by substituting the words “the Income Tax Application Rules” for the words “Chapter 63 of the Statutes of Canada of 1970-71-72” in paragraph *b* of section 360R4;

(21) by substituting the words “de l’alinéa” for the words “du sous-paragraphe” in the French text of sections 736.1R1 and 736.2R1;

(22) by substituting the words “Canada Student Loans Act (Revised Statutes of Canada (1985), c. S-23)” for the words “Canada Student Loans Act (Statutes of Canada)” in section 752.0.1R2;

(23) by substituting the words “Privileges and Immunities (International Organizations) Act (Revised Statutes of Canada (1985), c. P-23)” for the words “Privileges and Immunities (International Organizations) Act (Statutes of Canada)” in section 772R1;

(24) by substituting the words “créances irrécouvrables” for the words “mauvaises créances” in the French text of section 825R6;

(25) by substituting the words “Canada Pension Plan (Revised Statutes of Canada (1985), c. C-8)” for the words “Canada Pension Plan (Statutes of Canada)” in paragraph *a* of section 890.1R1;

(26) by substituting the words “Canada Pension Plan” for the words “Canada Pension Plan (Statutes of Canada)” in paragraph *b* of section 890.1R1;

(27) by substituting the words “Unemployment Insurance Act (Revised Statutes of Canada (1985), c. U-1)” for the words “Unemployment Insurance Act (Statutes of Canada)” in section 890.1R1;

(28) by substituting the words “de bienfaisance” for the word “charitables” everywhere it occurs in the French text of sections 985.9.2R2 and 985.9.2R3;

(29) by substituting the words “Canadian Film Development Corporation Act (Revised Statutes of Canada (1985), c. C-16)” for the words “Canadian Film Development Corporation Act (Statutes of Canada)” in section 1029.8.34R1;

(30) by substituting the words “National Training Act (Revised Statutes of Canada (1985), c. N-19)” for the words “National Training Act (Statutes of Canada)” in section 1086R1;

(31) by substituting the words “Labour Adjustment Benefits Act (Revised Statutes of Canada (1985), c. L-1)” for the words “Labour Adjustment Benefits Act (Statutes of Canada)” in section 1086R1;

(32) by substituting the words “hydrocarbure connexe” for the words “hydrocarbure apparenté” in the French text of Class 34 of Schedule B.

2. Paragraphs 1, 4, 6, 14, 18 to 20, 24, 28 and 32 of subsection 1 apply to a taxation year ending after 30 November 1991. Notwithstanding the foregoing,

(*a*) that paragraph 1, where it refers to sections 336R6, 958R1, 998R2 and 1086R12 of the Regulation respecting the Taxation Act, has effect only from 1 January 1991;

(*b*) that paragraph 1, where it refers to sections 503.1R1 and 503.2R1 of the Regulation respecting the Taxation Act, and that paragraph 18, where it refers to that section 503.2R1, have effect only from 1 March 1994;

(*c*) that paragraph 6, where it refers to sections 752.0.10.1R3 to 752.0.10.3R1, 752.0.10.3R4 and 752.0.10.12R1 of the Regulation respecting the Taxation Act, applies only from the 1993 taxation year.

3. Paragraphs 3, 5, 9 to 13, 15, 22, 23, 25 to 27, 30 and 31 of subsection 1 have effect from 12 December 1988.

4. Paragraph 7 of subsection 1 applies in respect of a life insurance policy last acquired after 31 December 1989.

5. Paragraph 8 of subsection 1 applies to a lease, in respect of a property, entered into after 10:00 p.m., Eastern Daylight Time, on 26 April 1989.

6. Paragraph 16 of subsection 1 has effect from 1 May 1989.

7. Paragraph 17 of subsection 1 has effect from 1 November 1989.

8. Paragraph 29 of subsection 1 has effect from 19 December 1990.

**87.** This Regulation comes into force on the date of its publication in the *Gazette officielle du Québec*.

9549

Gouvernement du Québec

## O.C. 36-96, 10 January 1996

An Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., c. R-5)

### Contributions — Amendments

Regulation to amend the Regulation respecting contributions to the Québec Health Insurance Plan

WHEREAS under paragraph *b* of section 35 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., c. R-5), the Government may make regulations to generally prescribe the measures for the carrying out of Division I of Chapter IV of that Act;