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# NATIONAL ASSEMBLY

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FIRST SESSION

THIRTY-SEVENTH LEGISLATURE

## **Bill 126**

(2005, chapter 38)

### **Budget Act giving effect to the Budget Speech delivered on 21 April 2005 and to certain other budget statements**

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**Introduced 8 November 2005  
Passage in principle 22 November 2005  
Passage 7 December 2005  
Assented to 13 December 2005**

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## EXPLANATORY NOTES

*This bill amends various legislation to give effect to the Budget Speech delivered on 21 April 2005 and to certain measures announced in Information Bulletins published by the Ministère des Finances in 2004 and 2005. The bill also gives effect to certain measures announced in the Budget Speech delivered on 30 March 2004.*

*The bill amends the Act respecting industrial accidents and occupational diseases, the Act to foster the development of manpower training, the Taxation Act, the Act respecting labour standards, the Act respecting the Régie de l'assurance maladie du Québec and the Act respecting the Québec Pension Plan to introduce a definition of base wages that will be used as a basis for the determination of certain contributions required from employers.*

*The bill amends the Act constituting Capital régional et coopératif Desjardins, the Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi and the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) to change the investment requirements that those corporations must satisfy and to reduce the issuance limit imposed on Capital régional et coopératif Desjardins.*

*The bill amends the Act respecting international financial centres to implement a mechanism for the determination of income and tax on capital giving rise to the deductions relating to international financial centres.*

*The bill amends the Tobacco Tax Act to reduce the time limit for the payment of amounts collected as tobacco tax.*

*The bill amends the Taxation Act to introduce, amend or repeal certain measures. In particular, the amendments concern*

*(1) the application of the tax system to the parental insurance plan;*

*(2) the introduction of a new \$500 deduction for workers;*

*(3) the replacement of various measures for informal caregivers of adults by a refundable tax credit that may reach \$1,000 in respect of each person housed;*

(4) *the tax treatment of certain benefits from a public compensation plan intended to replace income or compensate the loss of financial support;*

(5) *the improvement of the refundable tax credit for child assistance as regards the supplement for handicapped children;*

(6) *the addition of expenses for hyperbaric oxygen therapy sessions to the list of medical expenses eligible for the tax credit for medical expenses, and various restrictions to the list;*

(7) *the limitation of the deductibility of investment expenses;*

(8) *the adjustment of corporate income tax by raising the tax rate for large corporations and lowering the tax rate for small corporations;*

(9) *the reduction of capital tax rates and the introduction of a capital tax credit in respect of certain kinds of investments;*

(10) *the increase of the rate for the refundable tax credit for film production services; and*

(11) *the elimination of the exemption from the compensation tax for financial institutions granted to the operators of international financial centres.*

*The bill amends the Act respecting the Québec sales tax to make changes to the tax on lodging and provide for the optional application of a 3% tax on lodging.*

*The bill amends the Fuel Tax Act to reduce the time limit for the payment of amounts collected as fuel tax and to change the rate of the refund made to public carriers on the fuel tax paid on biodiesel fuel.*

*The bill amends the Taxation Act to make amendments similar to amendments made to the Canada Income Tax Act by Bill C-5 (S.C., 2004, chapter 26), assented to on 15 December 2004, by Bill C-33 (S.C., 2005, chapter 19), assented to on 13 May 2005 and by Bill C-43 (S.C., 2005, chapter 30), assented to on 29 June 2005. In so doing, the bill gives effect to harmonization measures announced in the Budget Speeches delivered on 30 March 2004 and 21 April 2005 and in Information Bulletins published by the Ministère des Finances in 2004 and 2005. In particular, the amendments concern*

(1) *the impairment supports deduction;*

(2) *the introduction of a deduction in respect of income earned in the course of certain international missions by Canadian Forces and police forces personnel;*

(3) *the extension of the carry-forward period for non-capital losses;*

(4) *the introduction of certain rules relating to registered charities; and*

(5) *the extension of the period during which gifts made for disaster relief in the wake of the tsunami that occurred in South Asia and South-East Asia at the end of 2004 may be recognized in the income tax return for 2004.*

*The bill amends the Act respecting the Québec sales tax to make amendments similar to amendments made to the Excise Tax Act by Bill S-10 (S.C., 2004, chapter 25), assented to on 15 December 2004 and by Bill C-43 (S.C., 2005, chapter 30), assented to on 29 June 2005. The bill thus gives effect to harmonization measures announced in the Budget Speech delivered on 21 April 2005 and in Information Bulletin 2002-8 dated 11 July 2002. In particular, the amendments concern*

(1) *the refund of the Québec sales tax for health care; and*

(2) *the amendments made to federal tax legislation as a result of the bijural revision.*

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

#### **LEGISLATION AMENDED BY THIS BILL:**

– Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001);

– Act constituting Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1);

– Act respecting international financial centres (R.S.Q., chapter C-8.3);

– Act to foster the development of manpower training (R.S.Q., chapter D-7.1);

- Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q., chapter F-3.1.2);
- Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1);
- Tobacco Tax Act (R.S.Q., chapter I-2);
- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the Ministère du Revenu (R.S.Q., chapter M-31);
- Act respecting labour standards (R.S.Q., chapter N-1.1);
- Act respecting the Régie de l'assurance maladie du Québec (R.S.Q., chapter R-5);
- Act respecting the Québec Pension Plan (R.S.Q., chapter R-9);
- Act respecting the Québec sales tax (R.S.Q., chapter T-0.1);
- Fuel Tax Act (R.S.Q., chapter T-1);
- Act respecting parental insurance (2001, chapter 9);
- Act giving effect to the Budget Speech delivered on 12 June 2003 and to certain other budget statements (2004, chapter 21);
- Act to amend the Tobacco Act and other legislative provisions (2005, chapter 29).



## Bill 126

### BUDGET ACT GIVING EFFECT TO THE BUDGET SPEECH DELIVERED ON 21 APRIL 2005 AND TO CERTAIN OTHER BUDGET STATEMENTS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

#### ACT RESPECTING INDUSTRIAL ACCIDENTS AND OCCUPATIONAL DISEASES

**1.** (1) Section 289 of the Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001) is amended by replacing the second paragraph by the following paragraph:

““Gross wages” means all forms of remuneration from an employer that are part of the base wages, within the meaning of section 1159.1 of the Taxation Act (chapter I-3), with the exception of base wages relating to that portion of sick leave that exceeds 105 consecutive days.”

(2) Subsection 1 applies from 1 January 2006.

#### ACT CONSTITUTING CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

**2.** (1) Section 18 of the Act constituting Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1), amended by section 2 of chapter 1 of the statutes of 2005, is again amended

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

“(2) a partnership or a legal person actively operating an enterprise, the majority of whose employees are resident in Québec and whose assets are less than \$100,000,000 or whose net equity is less than \$50,000,000, other than an eligible cooperative or a partnership or legal person whose activities consist mainly in investing.”;

(2) by replacing “incorporeal assets” in the third paragraph by “the incorporeal assets”.

(2) Paragraph 1 of subsection 1 applies to a fiscal year that begins after 21 April 2005.

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

(1) by replacing “\$50,000,000” and “\$20,000,000” in subparagraph 2 of the fifth paragraph by “\$100,000,000” and “\$50,000,000”, respectively;

(2) by replacing subparagraph 4 of the fifth paragraph by the following subparagraph:

“(4) the investment made after 11 March 2003 in an eligible entity through a limited partnership in which the Société holds an interest, directly or through another limited partnership, not exceeding the proportion of the Société’s direct or indirect interest in the limited partnership that made the investment;”;

(3) by adding the following subparagraphs after subparagraph 4 of the fifth paragraph:

“(5) investments made in a partnership or legal person that consist of an initial capital outlay of at least \$25,000,000 or an additional capital outlay, provided that the strategic value of the initial capital outlay and, where applicable, of the additional capital outlay has been recognized, after 21 April 2005, by the Minister of Finance, and provided that those investments are not otherwise eligible for the purposes of the requirement set out in the second paragraph;

“(6) investments made after 21 April 2005, in accordance with an investment policy adopted by the board of directors of the Société and approved by the Minister of Finance, in a local venture capital fund whose primary mission is to make investments in eligible entities, not exceeding the Société’s share, determined with reference only to investments permitted under this subparagraph, in investments made by that local fund in eligible entities; and

“(7) investments made after 21 March 2005 in FIER-Partenaires, s.e.c.”;

(4) by inserting the following paragraphs after the eighth paragraph:

“The total investments permitted under subparagraph 5 of the fifth paragraph may not exceed 7.5% of the net assets of the Société at the end of the preceding fiscal year.

“For the purposes of the second paragraph, investments permitted under subparagraph 5 of the fifth paragraph are considered to have been made in entities situated in the resource regions of Québec referred to in Schedule 2 if, in the opinion of the Minister of Finance, the investments have an impact on the economic activity of those regions.

“The total investments permitted under subparagraph 6 of the fifth paragraph, determined without reference to the presumption provided for in the twelfth paragraph, may not exceed 5% of the net assets of the Société at the end of the preceding fiscal year.



“For the purposes of the second paragraph, the total investments permitted under subparagraph 6 of the fifth paragraph are deemed to be equal to the amount obtained by multiplying that total by 1.5.

“For the purposes of the second paragraph, the investments permitted under subparagraph 7 of the fifth paragraph are considered to have been made in entities situated in the resource regions of Québec referred to in Schedule 2.”;

(5) by inserting “, other than the investments permitted under subparagraphs 6 and 7 of the fifth paragraph” after “section” in the ninth paragraph;

(6) by inserting the following paragraph after the ninth paragraph:

“The investments the Société has agreed to make and for which sums have been committed but not yet disbursed at the end of a fiscal year shall be taken into account in computing investments permitted under subparagraphs 6 and 7 of the fifth paragraph.”

(2) Paragraph 1 of subsection 1 applies to a fiscal year that begins after 21 April 2005.

(3) Paragraph 2 of subsection 1 has effect from 12 March 2003.

(4) Paragraph 3 of subsection 1, when it enacts subparagraph 5 of the fifth paragraph of section 19 of the Act, and paragraph 4 of subsection 1, when it enacts the ninth and tenth paragraphs of that section, have effect from 22 April 2005.

(5) Paragraph 3 of subsection 1, when it enacts subparagraph 6 of the fifth paragraph of section 19 of the Act, and paragraph 4 of subsection 1, when it enacts the eleventh and twelfth paragraphs of that section, apply from the fiscal year at the end of which the first policy for investment in local venture capital funds adopted by the board of directors of Capital régional et coopératif Desjardins is approved by the Minister of Finance, provided that that fiscal year begins after 21 April 2005.

(6) Paragraph 3 of subsection 1, when it enacts subparagraph 7 of the fifth paragraph of section 19 of the Act, paragraph 4 of subsection 1, when it enacts the thirteenth paragraph of that section, and paragraphs 5 and 6 of subsection 1 have effect from 22 March 2005. However, when the ninth paragraph of section 19 of the Act, as amended by paragraph 5 of subsection 1, and the fifteenth paragraph of that section, enacted by paragraph 6 of subsection 1, apply to a fiscal year preceding the first fiscal year that begins after 21 April 2005 and at the end of which the first policy for investment in local venture capital funds adopted by the board of directors of Capital régional et coopératif Desjardins is approved by the Minister of Finance, they read as if “subparagraphs 6 and 7 of the fifth paragraph” was replaced by “subparagraph 7 of the fifth paragraph”.

**4.** (1) The Act is amended by inserting the following section after section 19:

**“19.1.** Any approval by the Minister of Finance of an investment policy referred to in subparagraph 6 of the fifth paragraph of section 19 is valid for a maximum period of five years after the day on which the approval was given.

However, if the Minister of Finance finds that such a policy approved by the Minister of Finance in respect of the Société is not complied with, the Minister of Finance may withdraw approval by sending a written notice to the Société informing it of the withdrawal as of the date specified in the notice.”

(2) Subsection 1 applies in respect of the approval of an investment policy by the Minister of Finance after 21 April 2005.

**5.** (1) Schedule 1 to the Act is replaced by the following schedule:

**“SCHEDULE 1**

*(Section 10)*

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

- \$150,000,000 on 31 December 2001;
- \$300,000,000 on 28 February 2003;
- \$375,000,000 on 29 February 2004;
- \$475,000,000 on 28 February 2005;
- \$575,000,000 on 28 February 2006;
- \$725,000,000 on 28 February 2007;
- \$875,000,000 on 29 February 2008;
- \$1,025,000,000 on 28 February 2009;
- \$1,175,000,000 on 28 February 2010;
- \$1,325,000,000 on 28 February 2011.”

(2) Subsection 1 has effect from 1 March 2005.

**ACT RESPECTING INTERNATIONAL FINANCIAL CENTRES**

**6.** (1) Section 6 of the Act respecting international financial centres (R.S.Q., chapter C-8.3) is amended by striking out subparagraph 5 of the first paragraph.

(2) Subsection 1 applies to a taxation year or fiscal period that begins after 30 March 2004.

**7.** (1) Section 26 of the Act is replaced by the following section:

**“26.** The Minister shall, upon revoking a qualification certificate in accordance with section 25, send to the corporation or partnership concerned, a notice of revocation indicating the date on which the revocation becomes effective. The effective date may precede the date of the notice but may not precede that date by more than four years. Subject to the second paragraph, the qualification certificate is then deemed to cease to be valid from that date.

For the purposes of Division III of Chapter V, the following rules apply:

(1) the revoked qualification certificate referred to in the first paragraph is deemed to cease to be valid from the date on which the qualification certificate is revoked by the Minister or, if it is later, from the date on which the revocation becomes effective; and

(2) the corporation or partnership is then deemed to hold, in respect of the business to which the qualification certificate relates, for the taxation year or fiscal period in which the qualification certificate was revoked, a valid certificate, issued in accordance with section 12, that covers the period corresponding to the part of that year or fiscal period that ends on that date.”

(2) Subsection 1 applies to a taxation year or fiscal period that begins after 20 December 1999.

**8.** (1) Section 29 of the Act is replaced by the following section:

**“29.** Subject to the second paragraph, the revocation of a qualification certificate or certificate in accordance with section 27 becomes effective on the date indicated in the notice of revocation. The effective date may precede the date of the notice but may not precede that date by more than four years. The qualification certificate or certificate is then deemed to cease to be valid from that date.

For the purposes of Division III of Chapter V, if the Minister revokes a certificate the Minister has issued in accordance with section 12 to a corporation or partnership for a taxation year or fiscal period, the certificate is deemed not to have been revoked for that taxation year or fiscal period.”

(2) Subsection 1 applies to a taxation year or fiscal period that begins after 20 December 1999.

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

(1) by replacing the portion before the definition of “income” by the following:

“**49.** In this chapter, unless the context indicates otherwise,”;

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

““specified loss” of a corporation for a taxation year or of a partnership for a fiscal period from the operations of an international financial centre operated by the corporation or partnership means the amount, greater than zero, determined by the formula

$$(A + B - C) \times [(D / E) + (F / G)] / 2;”;$$

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

““gross revenue” of a corporation for a taxation year or of a partnership for a fiscal period means the gross revenue, within the meaning of section 1 of the Taxation Act, of the corporation for the year or of the partnership for the fiscal period, determined without reference to

(1) any amount of interest that is not included in computing the income or loss of the corporation from an eligible business carried on by it, within the meaning of section 771.1.1 of that Act, or that would not be included in computing such an income or loss of the partnership if the partnership were a corporation; and

(2) any dividend;

““specified income” of a corporation for a taxation year or of a partnership for a fiscal period from the operations of an international financial centre operated by the corporation or partnership means the amount, greater than zero, determined by the formula

$$(C - A - B) \times [(D / E) + (F / G)] / 2;”;$$

(4) by adding the following definition in alphabetical order:

““wages” means base wages, within the meaning of section 1159.1 of the Taxation Act, except wages paid by a corporation or partnership to a person who is, within the meaning of an agreement on social security that provides for the reciprocal coverage of health insurance plans, entered into between the Gouvernement du Québec and the government of a foreign country, a worker on secondment, for the period in which the person is such a seconded worker, if under the agreement the person is subject only to the legislation of the foreign country to which the reciprocal coverage applies.”;

(5) by adding the following paragraphs:

“In the formula in the definition of “specified income” and in the formula in the definition of “specified loss”, in the first paragraph,

(1) A is the aggregate of the amounts that would be determined in respect of the corporation for the year or of the partnership for the fiscal period under subparagraphs i and ii of paragraph c of section 28 of the Taxation Act if that subparagraph i were read without reference to “and, if there is any remainder” and if no reference were made to the amounts provided for in the third paragraph;

(2) B is the aggregate of all amounts each of which is the fair market value of a gift, referred to in section 710 of the Taxation Act or in any of the definitions of “total charitable gifts”, “total Crown gifts”, “total cultural gifts” and “total gifts of qualified property” in the first paragraph of section 752.0.10.1 of that Act, made in the year by the corporation or in the fiscal period on behalf of the partnership;

(3) C is the amount that would be determined in respect of the corporation for the year or of the partnership for the fiscal period under paragraph a of section 28 of the Taxation Act if no reference were made to the amounts provided for in the third paragraph;

(4) D is the portion of the gross revenue of the corporation for the year or of the partnership for the fiscal period from the operations of an international financial centre operated by the corporation or partnership;

(5) E is the gross revenue of the corporation for the year or of the partnership for the fiscal period;

(6) F is the aggregate of all amounts each of which is wages paid by the corporation in the year or by the partnership in the fiscal period that, in a proportion of 100% or 75%, as the case may be, and in accordance with section 64, do not constitute wages subject to the contribution provided for in section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5);

(7) G is the aggregate of the wages paid by the corporation in the year or by the partnership in the fiscal period; and

(8) if E or G is an amount equal to zero, the fraction of which it is the denominator is deemed to be equal to zero.

“The amounts to which subparagraphs 1 and 3 of the second paragraph refer are

(1) any share of the corporation or partnership in the partnership's income or loss;

(2) any amount of interest that is not included in computing the income or loss of the corporation from an eligible business, within the meaning of section 771.1.1 of the Taxation Act, or that would not be included in computing such income or loss of the partnership if the partnership were a corporation, and any interest expense directly attributable to that amount;

(3) any amount included in respect of a dividend in computing the income of the corporation or partnership; and

(4) any other amount included in computing the income of the corporation or partnership in respect of which the corporation or a member of the partnership is entitled to a deduction, other than the deduction provided for in section 52, in computing its taxable income.”

(2) Subsection 1 applies to a taxation year or fiscal period that begins after 30 March 2004. However, when the definition of “wages” in the first paragraph of section 49 of the Act applies before 1 January 2006, it reads as follows:

““wages” has the meaning that would be assigned by the first paragraph of section 33 of the Act respecting the Régie de l’assurance maladie du Québec (chapter R-5) if the definition of that expression in that paragraph were read without reference to its paragraph *a*.”

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

**“51.1.** For the purposes of this chapter, the share of a member of a partnership of an amount, in relation to a fiscal period of the partnership, is equal to the proportion of that amount that the member’s share of the partnership’s income or loss for that fiscal period is of the partnership’s income or loss for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership’s income for that fiscal period is equal to \$1,000,000.

**“51.2.** In this chapter, a reference to a fiscal period ending in a taxation year includes a reference to a fiscal period ending coincidentally with that taxation year.

**“51.3.** In this chapter, a reference to wages paid by a corporation or partnership is a reference to wages paid, allocated, granted or awarded by the corporation or partnership.”

(2) Subsection 1 applies to a taxation year or fiscal period that begins after 30 March 2004.

**11.** (1) Section 52 of the Act is amended by replacing the first paragraph by the following paragraph:

**“52.** A person who, in a taxation year, is a corporation operating an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre may deduct, in computing the person’s taxable income for the year, an amount not greater than the amount by which the aggregate of all amounts each of which is 75% of the person’s specified income for that year from the operations of an international financial centre operated by the person or of the person’s share of

the partnership's specified income for that fiscal period from the operations of an international financial centre operated by the partnership, exceeds the aggregate of all amounts each of which is 75% of the person's specified loss for that year from the operations of an international financial centre operated by the person or of the person's share of the partnership's specified loss for that fiscal period from the operations of an international financial centre operated by the partnership."

(2) Subsection 1 applies to a person's taxation year that begins after 30 March 2004. However,

(1) in the case of a person who, in such a taxation year, is a member of a partnership that, in a fiscal period of the partnership that ends in that taxation year and began before 31 March 2004, operates an international financial centre, the first paragraph of section 52 of the Act reads, if it applies to the person in relation to that fiscal period of the partnership, as if "of the partnership's specified income" and "of the partnership's specified loss" were replaced by "of the partnership's income" and "of the partnership's loss", respectively; and

(2) if the percentage of 75% provided for in the first paragraph of section 52 of the Act is to be applied to the share or, by reason of section 56.1 of the Act, to 30% of the person's share of the income or loss of a partnership, for a fiscal period of the partnership that ends in such a taxation year of the person and includes 12 June 2003, from the operations of an international financial centre operated by the partnership, the percentage of 75% is to be replaced by the total of

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

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

(3) In addition, for the application of section 52 of the Act to a person in relation to a fiscal period of a partnership that begins after 30 March 2004 and ends in a taxation year of the person that begins before 31 March 2004, the first paragraph of section 52 of the Act reads as if "of the partnership's income" in subparagraph 1 was replaced by "of the partnership's specified income" and as if "of the partnership's loss" in subparagraph 2 was replaced by "of the partnership's specified loss".

**12.** (1) Section 53 of the Act is replaced by the following section:

**“53.** If, in accordance with subsection 3 of section 33.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the person referred to in the first paragraph of section 52 has designated for a taxation year an office or branch located within the territory of Ville de Montréal as the place where an international banking centre business is to be carried on and the office or branch is, except as regards the conduct of transactions other than qualified international financial transactions, located at the place referred to in subparagraph 4 of the first paragraph of section 6, in respect of an international financial centre operated by the person, the aggregates referred to in the first paragraph of section 52 shall be determined

(1) as if the person’s specified income for the year from the operations of the international financial centre were equal to the greater of the person’s specified income otherwise determined for the year from such operations and the amount of income that, in respect of that international banking centre business and in accordance with that section 33.1, is not required to be included in computing the person’s income for the year for the purposes of the Income Tax Act; and

(2) where the amount determined in paragraph 1 is positive, as if any specified loss for the year from the operations of the international financial centre were nil.”

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**13.** (1) Section 54 of the Act is amended by replacing “the person’s share of the partnership’s income or loss” by “the person’s share of the partnership’s specified income or specified loss”.

(2) Subsection 1 applies to a fiscal period of a partnership that begins after 30 March 2004.

**14.** (1) Sections 55 and 56 of the Act are replaced by the following sections:

**“55.** A person who, in a taxation year, is a corporation operating an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre shall include, in computing the person’s taxable income for the year, an amount equal to the amount by which the second aggregate that is mentioned in the first paragraph of section 52 and determined in respect of the person for the year under that paragraph, exceeds the first aggregate that is mentioned in that paragraph and determined in respect of the person for the year under that paragraph.

However, the amount determined under the first paragraph for a taxation year in respect of a person shall in no case exceed the amount that would be



the person's income for the year, computed in accordance with section 28 of the Taxation Act (chapter I-3), if the person had, for the year,

(1) realized an additional income from a business equal to the second aggregate that is mentioned in the first paragraph of section 52 and determined in respect of the person for the year under that paragraph; and

(2) sustained an additional loss from a business equal to the first aggregate that is mentioned in the first paragraph of section 52 and determined in respect of the person for the year under that paragraph.

**“56.** For the purposes of Title VII of Book IV of Part I of the Taxation Act (chapter I-3), if, in a taxation year, a person is a corporation that operates an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre, the following rules apply:

(1) the person's non-capital loss for the year shall be determined as if the person had, for the year,

(a) realized an additional income from a business equal to the second aggregate that is mentioned in the first paragraph of section 52 and determined in respect of the person for the year under that paragraph, and

(b) sustained an additional loss from a business equal to the first aggregate that is mentioned in the first paragraph of section 52 and determined in respect of the person for the year under that paragraph; and

(2) the person's limited partnership loss in respect of the partnership for the year shall be determined as if the aggregate referred to in the first paragraph of section 613.1 of the Taxation Act were reduced by the amount, relating to the international financial centre operated by the partnership, included in the second aggregate that is mentioned in the first paragraph of section 52 and determined in respect of the person for the year under the latter paragraph.”

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

(3) In addition, for the application of sections 55 and 56 of the Act to a person for a taxation year that begins before 31 March 2004, if, in that taxation year, the person is a member of a partnership that, in a fiscal period of the partnership that ends in that taxation year and began after 30 March 2004, operates an international financial centre, the following rules apply:

(1) the second paragraph of section 55 of the Act reads as follows, subject to subsection 4:

“However, the amount determined under the first paragraph for a taxation year in respect of a person shall in no case exceed the amount that would be

the person's income for the year, computed for the purposes of Part I of the Taxation Act (chapter I-3) as if

(1) no reference were made to 75% of any income or loss from the operations of an international financial centre operated by the person in the year;

(2) where, in the year, the person is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began before 31 March 2004, operates an international financial centre, no reference were made to 75% of the person's share of any income or loss from the operations of an international financial centre operated by the partnership in the fiscal period; and

(3) where, in the year, the person is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began after 30 March 2004, operates an international financial centre,

(a) the person had realized, for the year, an additional income from a business that is equal to 75% of the person's share of the partnership's specified loss for that fiscal period from the operations of an international financial centre operated by the partnership, and

(b) the person had sustained, for the year, an additional loss from a business that is equal to 75% of the person's share of the partnership's specified income for that fiscal period from the operations of an international financial centre operated by the partnership.”; and

(2) section 56 of the Act reads as follows, subject to subsection 4:

**“56.** For the purposes of Title VII of Book IV of Part I of the Taxation Act (chapter I-3), if, in a taxation year, a person is a corporation that operates an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre, the following rules apply:

(1) the person's non-capital loss for the year shall be determined as if

(a) 75% of the person's income or loss for the year from the operations of any international financial centre operated by the person were nil,

(b) where, in the year, the person is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began before 31 March 2004, operates an international financial centre, 75% of the person's share of the income or loss of the partnership for the fiscal period from the operations of any international financial centre operated by the partnership were nil, and

(c) where, in the year, the person is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began after 30 March 2004, operates an international financial centre,

i. the person had realized, for the year, an additional income from a business that is equal to 75% of the person's share of the partnership's specified loss for that fiscal period from the operations of an international financial centre operated by the partnership, and

ii. the person had sustained, for the year, an additional loss from a business that is equal to 75% of the person's share of the partnership's specified income for that fiscal period from the operations of an international financial centre operated by the partnership; and

(2) the person's limited partnership loss in respect of the partnership for the year shall be determined as if

(a) where, in the year, the person is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began before 31 March 2004, operates an international financial centre, 75% of the person's share of the income or loss of the partnership for the fiscal period from the operations of any international financial centre operated by the partnership were nil, and

(b) where, in the year, the person is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began after 30 March 2004, operates an international financial centre, the aggregate referred to in the first paragraph of section 613.1 of the Taxation Act were reduced by the amount, relating to the international financial centre operated by the partnership, that is included in the aggregate determined for the year in respect of the person under subparagraph 2 of the first paragraph of section 52."

(4) If the percentage of 75%, provided for in subparagraphs 1 and 2 of the second paragraph of section 55 of the Act, enacted by paragraph 1 of subsection 3, and in subparagraphs *a* and *b* of paragraph 1 of section 56 of the Act, enacted by paragraph 2 of subsection 3, is to be applied

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

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

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

(2) to the person's share of the income or loss of a partnership for a fiscal period of the partnership that ends in a taxation year of the person and includes 12 June 2003, from the operations of an international financial centre operated by the partnership, the percentage of 75% is to be replaced by the total of

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

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

**15.** (1) Section 56.1 of the Act is amended by replacing “Where sections 52, 55 and 56 apply” by “If the first paragraph of section 52 applies”.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**16.** (1) Section 56.2 of the Act is replaced by the following section:

**“56.2.** If a corporation or partnership operates an international financial centre and, in the course of operating the international financial centre, the corporation or partnership carries out a qualified international financial transaction described in paragraph 24 of section 7, the amount determined under subparagraph 4 of the second paragraph of section 49 in respect of the operations of the international financial centre must be determined as if only the fees that are paid or required to be paid to the corporation or partnership by IQ Immigrants Investisseurs Inc. pursuant to an agreement referred to in section 34.1 of the Regulation respecting the selection of foreign nationals (R.R.Q., 1981, chapter M-23.1, r.2) that the corporation or partnership entered into with IQ Immigrants Investisseurs Inc. were the fees or any other consideration that the corporation or partnership receives or is to receive in relation to the qualified international financial transaction.”

(2) Subsection 1 applies to a taxation year or fiscal period that begins after 30 March 2004.

**17.** (1) Section 57 of the Act is replaced by the following section:

**“57.** A corporation, other than an authorized foreign bank, within the meaning of section 1 of the Taxation Act (chapter I-3), that, in a taxation year, operates an international financial centre or is a member of a partnership that, in a fiscal period of the partnership that ends in that year, operates such a centre may deduct from its paid-up capital for the year, for the purposes of

Part IV of that Act, computed before the application of this section and section 60.1 and of sections 1138.2.5, 1141.9 and 1141.11 of that Act, 75% of the amount determined by the formula

$$A \times [(B / C) + (D / E)] / 2.$$

In the formula in the first paragraph,

(1) A is the paid-up capital of the corporation for the year, for the purposes of Part IV of the Taxation Act, computed after the application of section 1138 of that Act or before the application of sections 1141.3 to 1141.11 of that Act;

(2) B is the aggregate of all amounts each of which is the portion of the gross revenue of the corporation for the year from the operations of an international financial centre operated by the corporation or the corporation's share of the portion of the gross revenue of a partnership for a fiscal period of the partnership that ends in the year from the operations of an international financial centre operated by the partnership;

(3) C is the aggregate of all amounts each of which is the gross revenue of the corporation for the year or the corporation's share of the gross revenue of a partnership for a fiscal period of the partnership that ends in the year;

(4) D is the aggregate of all amounts each of which is wages paid by the corporation in the year that, in a proportion of 100% or 75%, as the case may be, and in accordance with section 64, do not constitute wages subject to the contribution provided for in section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), or the corporation's share of wages paid by a partnership in a fiscal period of the partnership that ends in the year that, in a proportion of 100% or 75%, as the case may be, and in accordance with section 64, do not constitute wages subject to the contribution provided for in that section 34;

(5) E is the aggregate of all amounts each of which is wages paid by the corporation in the year or the corporation's share of wages paid by a partnership in a fiscal period of the partnership that ends in the year; and

(6) if C or E is an amount equal to zero, the fraction of which it is the denominator is deemed to be equal to zero."

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004. In addition, for the application of section 57 of the Act to such a taxation year of a corporation, if the corporation is a member of a partnership in a fiscal period of the partnership that ends in that taxation year and began before 31 March 2004, the definitions of "gross revenue" and "wages" in the first paragraph of section 49 of the Act, and sections 51.1 to 51.3 and 57.2 of the Act, enacted by this Act, apply to that fiscal period.

**18.** (1) Section 57.1 of the Act is amended

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

**“57.1.** An authorized foreign bank, within the meaning of section 1 of the Taxation Act (chapter I-3), that, in a taxation year, operates an international financial centre, may deduct from its paid-up capital for the year, for the purposes of Part IV of that Act, computed before the application of this section and section 1141.10 of that Act, 75% of the product obtained by multiplying, by the proportion that the aggregate of its business carried on in Canada or in Québec and elsewhere in the year is of its business carried on in Québec in the year, the amount determined by the formula

$$A \times [(B / C) + (D / E)] / 2.”;$$

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

“In the formula in the first paragraph,

(1) A is the paid-up capital of the authorized foreign bank for the year, for the purposes of Part IV of the Taxation Act, computed before the application of sections 1141.3 to 1141.10 of that Act;

(2) B is the portion of the gross revenue of the authorized foreign bank for the year from the operations of an international financial centre operated by the authorized foreign bank;

(3) C is the gross revenue of the authorized foreign bank for the year;

(4) D is the aggregate of all amounts each of which is wages paid by the authorized foreign bank in the year that, in a proportion of 100% or 75%, as the case may be, and in accordance with section 64, do not constitute wages subject to the contribution provided for in section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5);

(5) E is the aggregate of the wages paid by the authorized foreign bank in the year; and

(6) if C or E is an amount equal to zero, the fraction of which it is the denominator is deemed to be equal to zero.”

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

(3) In addition, when section 57.1 of the Act applies to a taxation year that ends after 12 June 2003 and began before 31 March 2004, the first paragraph of that section reads as if “the proportion of any amount” was replaced by “75% of the proportion of any amount”. However, when section 57.1 of the Act applies to such a taxation year that includes 12 June 2003, the first paragraph of that section reads as if the percentage of 75% was replaced by the total of

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

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

**19.** (1) The Act is amended by inserting the following section after section 57.1:

**“57.2.** If a corporation or partnership operates an international financial centre and, in the course of operating the international financial centre, the corporation or partnership carries out a qualified international financial transaction described in paragraph 24 of section 7, the amount determined under subparagraph 2 of the second paragraph of section 57 or 57.1 in respect of the operations of the international financial centre must be determined as if only the fees that are paid or required to be paid to the corporation or partnership by IQ Immigrants Investisseurs Inc. pursuant to an agreement referred to in section 34.1 of the Regulation respecting the selection of foreign nationals (R.R.Q., 1981, chapter M-23.1, r.2) that the corporation or partnership entered into with IQ Immigrants Investisseurs Inc. were the fees or any other consideration that the corporation or partnership receives or is to receive in relation to the qualified international financial transaction.”

(2) Subsection 1 applies to a taxation year or fiscal period that begins after 30 March 2004.

**20.** (1) Sections 58 to 60.0.1 of the Act are repealed.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**21.** (1) Section 60.1 of the Act is amended

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

**“60.1.** If a corporation is a bank, within the meaning of section 1 of the Taxation Act (chapter I-3), and operates in a taxation year an international financial centre, the corporation may deduct from its paid-up capital for the year, for the purposes of Part IV of that Act, computed before the application of this section and section 57 and of section 1141.9 of that Act, the amount by which the product obtained by multiplying the amount it deducted from the paid-up capital for the year under section 57 by the proportion that the aggregate of the business carried on in Canada or in Québec and elsewhere by the corporation in the year is of its business carried on in Québec in the year, exceeds the amount it deducted from the paid-up capital for the year under section 57.”;

(2) by striking out the second paragraph.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**22.** (1) Section 65 of the Act is amended

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

**“65.** An individual described in section 66 who holds employment with a particular corporation or partnership that is referred to in that section may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula”;

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

“(a) where the individual entered into the individual’s employment contract with the particular corporation or partnership between 12 June 2003 and 31 March 2004, or entered into that contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%”;

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

“(a.1) where the individual entered into the individual’s employment contract with the particular corporation or partnership after 30 March 2004,

i. 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph 4 of section 69,

ii. 75%, if that specified period of the individual is included in the third year of the period described in that paragraph 4,

iii. 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph 4, or

iv. 37.5%, if that specified period of the individual is included in the fifth year of the period described in that paragraph 4, and”;

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

“(b) in any other case, 100%; and”;

(5) by replacing subparagraph 2 of the second paragraph by the following subparagraph:

“(2) B is the part of the individual’s income for the year, determined in accordance with section 28 of the Taxation Act (chapter I-3), that may



reasonably be considered to be realized in the part of that specified period of the individual that is included in the year.”;

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

“The specified period of an individual in relation to an employment held by the individual with a particular corporation or partnership is,

(1) if the employment contract was entered into with the particular corporation or partnership after 30 March 2004, any part of the individual’s reference period, in relation to that employment, established under section 69, that is included in any of the five years of the period described in paragraph 4 of that section; and

(2) in any other case, the individual’s reference period, in relation to that employment, established under section 69.”

(2) Subsection 1 applies from the taxation year 2004.

**23.** (1) Section 65.1 of the Act is amended

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

“**65.1.** If, at a particular time included in a specified period of an individual described in section 66, established under the fourth paragraph of section 65, in relation to an employment held by the individual with a corporation operating an international financial centre, in this section referred to as the “initial specified period”, the individual acquired a right to a security under an agreement referred to in section 48 of the Taxation Act (chapter I-3) and, at a later time after the end of the initial specified period, the individual is deemed to receive a benefit in a particular taxation year because of the application of any of sections 49 and 50 to 52.1 of that Act in respect of the security, or the transfer or any other disposition of the rights under the agreement, the following rules apply:”;

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

“(2) for the purpose of applying the first and second paragraphs of section 65 in respect of the amount of the benefit included by the individual in computing the individual’s income for the particular taxation year, the later time is deemed to be a specified period of the individual in relation to that employment and that specified period is deemed to be included in the year of the period described in paragraph 4 of section 69 in which the initial specified period is itself included;”;

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

“(2.1) for the purpose of applying section 71 and paragraphs *a* and *b* of section 737.18 of the Taxation Act in respect of the amount of the benefit included by the individual in computing the individual’s income for the

particular taxation year, the later time is deemed to be a reference period of the individual, established under section 69, in relation to that employment; and”.

(2) Subsection 1 applies from the taxation year 2004.

**24.** (1) Section 69 of the Act is amended by adding the following paragraph after paragraph 3:

“(4) that, if the individual entered into the individual’s employment contract with the particular corporation or partnership after 30 March 2004, ends on or before the last day of the five-year period that begins,

(a) unless subparagraph *b* applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual’s taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2 of the Taxation Act, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20 of that Act; or

(b) if the individual began to perform the duties of the employment referred to in subparagraph *a* under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8 of the Taxation Act, on which the individual becomes resident in Canada to work on the establishment of that centre.”

(2) Subsection 1 applies from the taxation year 2004.

**25.** (1) Section 69.3 of the Act is amended by replacing “before 13 June 2003” in subparagraph 1 of the third paragraph by “at the particular time”.

(2) Subsection 1 applies from the taxation year 2004.

**26.** (1) Section 70 of the Act is amended by replacing “the individual’s reference period established under section 69” and “of section 65 in respect of that employment” in paragraphs 1 and 2 by “any of the individual’s specified periods, established under the fourth paragraph of section 65” and “of that section in respect of that period”, respectively.

(2) Subsection 1 applies from the taxation year 2004.

## ACT TO FOSTER THE DEVELOPMENT OF MANPOWER TRAINING

**27.** (1) The schedule to the Act to foster the development of manpower training (R.S.Q., chapter D-7.1) is amended

(1) by replacing subsection 1 by the following subsection:

“(1) The total payroll in respect of a year is the aggregate of all amounts each of which is the wages that an employer pays, allocates, grants or awards to an employee, is deemed to pay to an employee or pays in respect of an employee.”;

(2) by replacing the definition of “salary or wages” in subsection 2 by the following definition:

““wages” means base wages, within the meaning of section 1159.1 of the Taxation Act (chapter I-3).”;

(3) by replacing subparagraph *b* of paragraph 1 of subsection 3 by the following subparagraph:

“(b) in respect of wages that are paid, allocated, granted or awarded as a premium, an increase with retroactive effect or a vacation pay, that are paid to a trustee or custodian in respect of the employee or that do not relate to a regular pay period of the employee, an employee who ordinarily reports for work at that establishment;”.

(2) Subsection 1 applies from the year 2006.

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

**28.** (1) Section 8 of the Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q., chapter F-3.1.2) is amended by inserting the following paragraph after the fourth paragraph:

“The Fund may, by articles of amendment,

(1) create one or more series of class “A” shares that include, in addition to the rights set out in the first paragraph, either the right to be exchanged for shares of another series or any other characteristic not inconsistent with this Act; and

(2) convert in whole or in part the class “A” shares held by the shareholders or certain shareholders into one or more series of shares created under subparagraph 1, on terms and conditions which may, where expedient and with the authorization of the Minister of Finance, depart from subsections 6 and 7 of section 48 or from section 49 of the Companies Act.”

(2) Subsection 1 has effect from 22 December 2004.

**29.** (1) Section 18.1 of the Act, amended by section 7 of chapter 1 of the statutes of 2005, is replaced by the following section:

**“18.1.** For the purposes of this Act, “eligible enterprise” means an enterprise in active operation the majority of whose employees are resident in Québec and whose assets are less than \$100,000,000 or whose net equity is less than \$50,000,000.

For the purposes of this section, the assets or net equity of an enterprise are the assets or net equity shown in its financial statements for the fiscal year ended before the date on which the investment is made, minus the write-up surplus of its property and the incorporeal assets. In the case of an enterprise which has not completed its first fiscal year, the fact that the assets or net equity, as the case may be, of the enterprise are, immediately before the investment, under the limits prescribed in this section must be confirmed in writing to the Fund by a chartered accountant.”

(2) Subsection 1 applies from the date on which the policy for investment outside Québec adopted by the board of directors of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi is first approved after 21 April 2005 by the Minister of Finance, except when it replaces “not over \$40,000,000” in the first paragraph of section 18.1 of the Act by “less than \$50,000,000”, in which case it applies to a fiscal year that begins after 21 April 2005.

**30.** (1) Section 19 of the Act, amended by section 27 of chapter 23 of the statutes of 2005, is again amended

(1) by striking out “, of which a part representing at least two-thirds of that minimum percentage must be invested in enterprises whose assets are less than \$50 000 000 or whose net equity is less than \$20 000 000” in the second paragraph;

(2) by inserting “situated in Québec” after “immovable property” in subparagraph 2 of the fifth paragraph;

(3) by replacing “under subparagraph 1 of the first paragraph” and “\$40,000,000” in subparagraph 3 of the fifth paragraph by “under the first paragraph” and “\$50,000,000”, respectively;

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

“(5) investments that are not otherwise eligible for the purposes of the requirement set out in the second paragraph and that consist of an initial capital outlay of at least \$25,000,000 whose strategic value was recognized by the Minister of Finance after 22 December 2004;

“(6) investments described in section 19.1, provided that they are made in accordance with a policy for investment outside Québec adopted by the board of directors of the Fund and approved by the Minister of Finance;

“(7) investments made after 21 April 2005, in accordance with an investment policy adopted by the board of directors of the Fund and approved by the Minister of Finance, in local venture capital funds whose primary mission is to make investments in eligible enterprises; and

“(8) investments made after 21 March 2005 in FIER-Partenaires, s.e.c.”;

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

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

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

“The total investments permitted under subparagraph 6 of the fifth paragraph may not exceed 10% of the net assets of the Fund at the end of the preceding fiscal year.

“If, at a particular time in a fiscal year, the Fund holds several investments described in subparagraph 5 of the fifth paragraph, only one of those investments is eligible, at that particular time, for the purposes of the requirement set out in the second paragraph.

“The total investments permitted under subparagraph 7 of the fifth paragraph, determined without reference to the presumption provided for in the eleventh paragraph, may not exceed 5% of the net assets of the Fund at the end of the preceding fiscal year.

“For the purposes of the requirement set out in the second paragraph, the total investments permitted under subparagraph 7 of the fifth paragraph is deemed to be equal to the amount obtained by multiplying that total by 1.5.”;

(7) by striking out the eighth paragraph;

(8) by replacing the ninth paragraph by the following paragraph:

“Investments in immovable property situated in Québec and intended mainly for the operation of shopping centres are not permitted under subparagraph 2 of the fifth paragraph otherwise than as part of a project in the recreation and tourism sector.”;

(9) by inserting “, other than the investments permitted under subparagraphs 7 and 8 of the fifth paragraph” after “section” in the tenth paragraph;

(10) by inserting the following paragraph after the tenth paragraph:

“Investments agreed to by the Fund for which sums have been committed but not yet disbursed at the end of a fiscal year shall be taken into account in computing investments permitted under subparagraphs 7 and 8 of the fifth paragraph.”

(2) Paragraphs 1 and 7 of subsection 1 apply to a fiscal year that begins after 21 April 2005. In addition, when the eighth paragraph of section 19 of the Act, struck out by paragraph 7 of subsection 1, applies after 22 December 2004, it reads as follows:

“For the purposes of the second paragraph, the investments permitted under subparagraphs 4 and 5 of the fifth paragraph are considered to have been made in enterprises whose assets are less than \$50,000,000 or whose net equity is not over \$20,000,000.”

(3) Paragraph 2 of subsection 1, paragraph 4 of subsection 1, when it enacts subparagraph 6 of the fifth paragraph of section 19 of the Act, paragraph 6 of subsection 1, when it enacts the eighth paragraph of section 19 of the Act, and paragraph 8 of subsection 1 apply from the fiscal year in which the policy for investment outside Québec adopted by the board of directors of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi is first approved after 21 April 2005 by the Minister of Finance.

(4) Paragraph 3 of subsection 1, when it replaces “under subparagraph 1 of the first paragraph” in subparagraph 3 of the fifth paragraph of section 19 of the Act by “under the first paragraph”, applies from the date on which the policy for investment outside Québec adopted by the board of directors of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi is first approved after 21 April 2005 by the Minister of Finance and, when it replaces “\$40,000,000” in that subparagraph 3 by “\$50,000,000”, applies to a fiscal year that begins after 21 April 2005.

(5) Paragraph 4 of subsection 1, when it enacts subparagraph 5 of the fifth paragraph of section 19 of the Act, paragraph 5 of subsection 1 and paragraph 6 of subsection 1, when it enacts the ninth paragraph of section 19 of the Act, have effect from 23 December 2004.

(6) Paragraph 4 of subsection 1, when it enacts subparagraph 7 of the fifth paragraph of section 19 of the Act, and paragraph 6 of subsection 1, when it enacts the tenth and eleventh paragraphs of section 19 of the Act, apply from the fiscal year in which the first policy for investment in local venture capital funds adopted by the board of directors of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi is approved by the Minister of Finance.

(7) Paragraph 4 of subsection 1, when it enacts subparagraph 8 of the fifth paragraph of section 19 of the Act, and paragraphs 9 and 10 of subsection 1 have effect from 22 March 2005. However, when the tenth paragraph of section 19 of the Act, as amended by paragraph 9 of subsection 1, and the fourteenth paragraph of that section, enacted by paragraph 10 of subsection 1, apply to a fiscal year preceding the fiscal year in which the first policy for investment in local venture capital funds adopted by the board of directors of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi is approved by the Minister of Finance, they read as if “subparagraphs 7 and 8 of the fifth paragraph” was replaced by “subparagraph 8 of the fifth paragraph”.

**31.** (1) The Act is amended by inserting the following sections after section 19:

**“19.1.** The investments to which subparagraph 6 of the fifth paragraph of section 19 refers are, for a particular fiscal year and in the cases and to the extent determined by the investment policy referred to in that subparagraph, in this section referred to as the “investment policy”,

(1) any investment in a private fund outside Québec, up to, if the particular fiscal year is subsequent to the year following the year in which a first investment was made in the private fund in accordance with the investment policy, the amount invested, after that first investment, by the private fund in a partnership or legal person that actively operates an enterprise, the majority of whose employees are resident in Québec and whose assets are less than \$100,000,000 or whose net equity is less than \$50,000,000;

(2) any investment made after 21 April 2005 in a partnership or legal person outside Québec whose assets are less than \$500,000,000 or whose net equity is less than \$200,000,000, up to the amount that, after the first investment made, after that date, in the partnership or legal person in accordance with the investment policy, is invested by the partnership or legal person in any of its subsidiaries actively operating an enterprise the majority of whose employees are resident in Québec or in a major investment project it carries out in Québec;

(3) any investment in an enterprise whose activity outside Québec has or will likely have an impact on the increase or maintenance of the level of employment or economic activity in Québec; and

(4) any investment in new or substantially renovated income-producing immovables situated outside Québec, provided that the investment has or could have an impact on the increase or maintenance of the level of employment or economic activity in Québec, up to the amount by which 5% of the net assets of the Fund at the end of the preceding fiscal year exceeds the total of the investments that are made in immovables situated in Québec and that are otherwise eligible for the purposes of the requirement set out in the second paragraph of section 19.

For the purposes of subparagraph 1 of the first paragraph, an investment made by the Fund in a private fund outside Québec in a fiscal year is considered to be the first investment made in the private fund only if, at the end of the preceding fiscal year, the Fund did not hold any investment in the private fund or did not agree to make any investment in the private fund for which sums were committed.

For the purposes of subparagraph 2 of the first paragraph, the assets or net equity of a partnership or legal person outside Québec are the assets or net equity shown in its financial statements for the fiscal year ended before the date on which the investment is made, minus the write-up surplus of its property and the incorporeal assets. In the case of a partnership or legal person which has not completed its first fiscal year, the fact that the assets or net equity, as the case may be, of the partnership or legal person are, immediately before the investment, under the limits prescribed in that subparagraph 2 must be confirmed in writing to the Fund by a chartered accountant.

**“19.2.** The approval by the Minister of Finance of an investment policy referred to in subparagraph 7 of the fifth paragraph of section 19 or in the first paragraph of section 19.1 is valid for a maximum period of five years after the day on which the approval was given.

However, if the Minister of Finance finds that such a policy approved by the Minister of Finance in respect of the Fund is not complied with, the Minister of Finance may withdraw approval by sending a written notice to the Fund informing it of the withdrawal as of the date specified in the notice.”

(2) Subsection 1, when it enacts section 19.1 of the Act, applies from the fiscal year in which the policy for investment outside Québec adopted by the board of directors of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi is first approved after 21 April 2005 by the Minister of Finance.

(3) Subsection 1, when it enacts section 19.2 of the Act, applies in respect of the approval of an investment policy by the Minister of Finance after 21 April 2005.

**32.** (1) Section 20 of the Act is amended

(1) by striking out “or if the proportion of such investments that are made in eligible enterprises whose assets are less than \$50 000 000 or whose net equity is less than \$20 000 000 represents 35% to 39% of such average net assets” in subparagraph 1 of the first paragraph;

(2) by striking out “or if the proportion of such investments that are made in eligible enterprises whose assets are less than \$50 000 000 or whose net equity is less than \$20 000 000 represents 30% to 34% of such average net assets” in subparagraph 2 of the first paragraph;



(3) by striking out “or if the proportion of such investments that are made in eligible enterprises whose assets are less than \$50 000 000 or whose net equity is less than \$20 000 000 represents 25% to 29% of such average net assets” in subparagraph 3 of the first paragraph;

(4) by striking out “or if the proportion of such investments that are made in eligible enterprises whose assets are less than \$50 000 000 or whose net equity is less than \$20 000 000 represents less than 25% of such average net assets” in the second paragraph.

(2) Subsection 1 applies to a fiscal year that begins after 21 April 2005.

**33.** (1) Section 21 of the Act is amended by replacing “a Québec enterprise within the meaning of section 18.1” in the second paragraph by “an eligible enterprise”.

(2) Subsection 1 applies from the date on which the policy for investment outside Québec adopted by the board of directors of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi is first approved after 21 April 2005 by the Minister of Finance.

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

**34.** (1) Section 14.1 of the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1), amended by section 8 of chapter 1 of the statutes of 2005, is replaced by the following section:

“**14.1.** For the purposes of this Act, “qualified undertaking” means an undertaking in active operation the majority of whose employees are resident in Québec and whose assets are less than \$100,000,000 or whose net equity is less than \$50,000,000.

For the purposes of this section, the assets or net equity of an undertaking are the assets or net equity shown in its financial statements for the fiscal year ended before the date on which the investment is made, minus the write-up surplus of its property and the incorporeal assets. In the case of an undertaking which has not completed its first fiscal year, the fact that the assets or net equity, as the case may be, of the undertaking are, immediately before the investment, under the limits prescribed in this section must be confirmed in writing to the Fund by a chartered accountant.”

(2) Subsection 1 applies from the date on which the policy for investment outside Québec adopted by the board of directors of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) is first approved after 21 April 2005 by the Minister of Finance, except when it replaces “whose assets are less than \$50,000,000 or whose net assets are not over \$20,000,000” in the first paragraph of section 14.1 of the Act by “whose assets are less than \$100,000,000 or whose net equity is less than \$50,000,000”, in which case it applies to a fiscal year that begins after 21 April 2005.

**35.** (1) Section 15 of the Act, amended by section 28 of chapter 23 of the statutes of 2005, is again amended

(1) by replacing “net assets” in subparagraph 2 of the fifth paragraph by “net equity”;

(2) by inserting “situated in Québec” after “immovable property” in subparagraph 3 of the fifth paragraph;

(3) by replacing “enterprise” in subparagraph 4 of the fifth paragraph by “undertaking”;

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

“(5) investments that are not otherwise eligible for the purposes of the requirement set out in the second paragraph and that consist of an initial capital outlay of at least \$25,000,000 whose strategic value was recognized by the Minister of Finance after 22 December 2004;

“(6) investments described in section 15.0.1, provided that they are made in accordance with a policy for investment outside Québec adopted by the board of directors of the Fund and approved by the Minister of Finance;

“(7) investments made after 21 April 2005, in accordance with an investment policy adopted by the board of directors of the Fund and approved by the Minister of Finance, in local venture capital funds whose primary mission is to make investments in qualified undertakings; and

“(8) investments made after 21 March 2005 in FIER-Partenaires, s.e.c.”;

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

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

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

“The total of the investments that qualify under subparagraph 6 of the fifth paragraph is limited to 10% of the net assets of the Fund at the end of the preceding fiscal year.

“If, at a particular time in a fiscal year, the Fund holds several investments described in subparagraph 5 of the fifth paragraph, only one of those investments is eligible, at that particular time, for the purposes of the requirement set out in the second paragraph.

“The total of the investments that qualify under subparagraph 7 of the fifth paragraph, determined without reference to the presumption provided for in the eleventh paragraph, is limited to 5% of the net assets of the Fund at the end of the preceding fiscal year.

“For the purposes of the requirement set out in the second paragraph, the total of the investments that qualify under subparagraph 7 of the fifth paragraph is deemed to be equal to the amount obtained by multiplying that total by 1.5.”;

(7) by replacing the eighth paragraph by the following paragraph:

“Investments in immovable property situated in Québec and intended mainly for the operation of shopping centres do not qualify under subparagraph 3 of the fifth paragraph otherwise than as part of a project in the recreation and tourism sector.”;

(8) by inserting “, other than the investments that qualify under subparagraphs 7 and 8 of the fifth paragraph” after “section” in the ninth paragraph;

(9) by inserting the following paragraph after the ninth paragraph:

“Investments with regard to which the Fund has entered into an agreement and for which it has committed but not disbursed sums of money at the end of a fiscal year shall be taken into account in the calculation of the investments that qualify under subparagraphs 7 and 8 of the fifth paragraph.”

(2) Paragraph 2 of subsection 1, paragraph 4 of subsection 1, when it enacts subparagraph 6 of the fifth paragraph of section 15 of the Act, paragraph 6 of subsection 1, when it enacts the eighth paragraph of section 15 of the Act, and paragraph 7 of subsection 1 apply from the fiscal year in which the policy for investment outside Québec adopted by the board of directors of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) is first approved after 21 April 2005 by the Minister of Finance.

(3) Paragraph 4 of subsection 1, when it enacts subparagraph 5 of the fifth paragraph of section 15 of the Act, paragraph 5 of subsection 1 and paragraph 6 of subsection 1, when it enacts the ninth paragraph of section 15 of the Act, have effect from 23 December 2004.

(4) Paragraph 4 of subsection 1, when it enacts subparagraph 7 of the fifth paragraph of section 15 of the Act, and paragraph 6 of subsection 1, when it enacts the tenth and eleventh paragraphs of section 15 of the Act, apply from the fiscal year in which the first policy for investment in local venture capital funds adopted by the board of directors of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) is approved by the Minister of Finance.

(5) Paragraph 4 of subsection 1, when it enacts subparagraph 8 of the fifth paragraph of section 15 of the Act, and paragraphs 8 and 9 of subsection 1 have effect from 22 March 2005. However, when the ninth paragraph of section 15 of the Act, as amended by paragraph 8 of subsection 1, and the fourteenth paragraph of that section, enacted by paragraph 9 of subsection 1, apply to a fiscal year preceding the fiscal year in which the first policy for investment in local venture capital funds adopted by the board of directors of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) is approved by the Minister of Finance, they read as if “subparagraphs 7 and 8 of the fifth paragraph” was replaced by “subparagraph 8 of the fifth paragraph”.

**36.** (1) The Act is amended by inserting the following sections after section 15:

**“15.0.1.** The investments to which subparagraph 6 of the fifth paragraph of section 15 refers are, for a particular fiscal year and in the cases and to the extent determined by the investment policy referred to in that subparagraph, in this section referred to as the “investment policy”,

(1) any investment in a private fund outside Québec, up to, if the particular fiscal year is subsequent to the year following the year in which a first investment was made in the private fund in accordance with the investment policy, the amount invested, after that first investment, by the private fund in a partnership or legal person that actively operates an undertaking, the majority of whose employees are resident in Québec and whose assets are less than \$100,000,000 or whose net equity is less than \$50,000,000;

(2) any investment made after 21 April 2005 in a partnership or legal person outside Québec whose assets are less than \$500,000,000 or whose net equity is less than \$200,000,000, up to the amount that, after the first investment made, after that date, in the partnership or legal person in accordance with the investment policy, is invested by the partnership or legal person in any of its subsidiaries actively operating an undertaking the majority of whose employees are resident in Québec or in a major investment project it carries out in Québec;

(3) any investment in an undertaking whose activity outside Québec has or will likely have an impact on the increase or maintenance of the level of employment or economic activity in Québec; and

(4) any investment in new or substantially renovated income-producing immovables situated outside Québec, provided that the investment has or could have an impact on the increase or maintenance of the level of employment or economic activity in Québec, up to the amount by which 5% of the net assets of the Fund at the end of the preceding fiscal year exceeds the total of the investments that are made in immovables situated in Québec and that are otherwise eligible for the purposes of the requirement set out in the second paragraph of section 15.

For the purposes of subparagraph 1 of the first paragraph, an investment made by the Fund in a private fund outside Québec in a fiscal year is considered to be the first investment made in the private fund only if, at the end of the preceding fiscal year, the Fund did not hold any investment in the private fund or did not agree to make any investment in the private fund for which sums were committed.

For the purposes of subparagraph 2 of the first paragraph, the assets or net equity of a partnership or legal person outside Québec are the assets or net equity shown in its financial statements for the fiscal year ended before the date on which the investment is made, minus the write-up surplus of its property and the incorporeal assets. In the case of a partnership or legal person which has not completed its first fiscal year, the fact that the assets or net equity, as the case may be, of the partnership or legal person are, immediately before the investment, under the limits prescribed in that subparagraph 2 must be confirmed in writing to the Fund by a chartered accountant.

**“15.0.2.** The approval by the Minister of Finance of an investment policy referred to in subparagraph 7 of the fifth paragraph of section 15 or in the first paragraph of section 15.0.1 is valid for a maximum period of five years after the day on which the approval was given.

However, if the Minister of Finance finds that such a policy approved by the Minister of Finance in respect of the Fund is not complied with, the Minister of Finance may withdraw approval by sending a written notice to the Fund informing it of the withdrawal as of the date specified in the notice.”

(2) Subsection 1, when it enacts section 15.0.1 of the Act, applies from the fiscal year in which the policy for investment outside Québec adopted by the board of directors of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) is first approved after 21 April 2005 by the Minister of Finance.

(3) Subsection 1, when it enacts section 15.0.2 of the Act, applies in respect of the approval of an investment policy by the Minister of Finance after 21 April 2005.

**37.** (1) Section 16 of the Act is amended by replacing “a Québec undertaking within the meaning of section 14.1” in the second paragraph by “a qualified undertaking”.

(2) Subsection 1 applies from the date on which the policy for investment outside Québec adopted by the board of directors of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) is first approved after 21 April 2005 by the Minister of Finance.

#### TOBACCO TAX ACT

**38.** (1) Section 11.1 of the Tobacco Tax Act (R.S.Q., chapter I-2) is amended by replacing “not later than the last” in the first paragraph by “on or before the fifteenth”.

(2) Subsection 1 applies in respect of the tobacco tax that a retail vendor has collected or should have collected, under section 11 of the Act, from 1 May 2005.

**39.** The Act is amended by inserting the following section after section 14.2:

“**14.3.** Every person who contravenes section 9.2 is guilty of an offence and is liable to a fine of not less than \$200 and not more than \$5,000.”

**40.** Section 15 of the Act is amended by replacing “9.2, 14, 14.1 and 14.2” by “14, 14.1, 14.2 and 14.3”.

**41.** (1) Section 17.3 of the Act is amended by replacing “not later than the last” in the first paragraph by “on or before the fifteenth”.

(2) Subsection 1 applies in respect of the amount equal to the tax that the holder of a collection officer’s permit has collected or should have collected, under section 17.2 of the Act, from 1 May 2005.

**42.** (1) Section 17.5 of the Act is amended by replacing “not later than the last” in the first and fourth paragraphs by “on or before the fifteenth”.

(2) Subsection 1 applies in respect of a report that a collection officer or manufacturer is required to make for a month beginning after 30 April 2005.

**43.** (1) Section 17.14 of the Act is amended by replacing “on or before the last” by “on or before the fifteenth”.

(2) Subsection 1 applies in respect of a bad debt all or part of which is recovered by the holder of a collection officer’s permit after 30 April 2005.

#### TAXATION ACT

**44.** (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 20 of chapter 1 of the statutes of 2005 and by section 30 of chapter 23 of the statutes of 2005, is again amended

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

““compensation for the loss of financial support” means a benefit payable under a public compensation plan in the form of a pension or a lump sum in lieu of a pension that is granted following the death of the victim of an accident, employment injury or bodily injury to a person who, under the terms of the public compensation plan, is the victim’s surviving spouse or a person who is considered to have been the victim’s dependant;”;

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

““income replacement indemnity” means a benefit paid under a public compensation plan to compensate a total or partial disability affecting a person’s capacity to perform the duties of an office or employment or to carry on a business either alone or as a partner actively engaged in the business, or to compensate the loss of a benefit under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23), unless, under the terms of the public compensation plan, no employer, whether required or not to pay all or part of the benefit, may be reimbursed for the expense incurred by the employer in that respect; for that purpose, a benefit computed by reference to a person’s recognized earnings under the public compensation plan is deemed a benefit paid to compensate the total or partial disability affecting the person’s capacity to perform the duties of an office or employment or to carry on a business either alone or as a partner actively engaged in the business;”;

(3) by replacing the definition of “private health services plan” by the following definition:

““private health services plan” means a contract of insurance in respect of medical expenses, hospital expenses or any combination of such expenses, or a medical care insurance plan or hospital care insurance plan or both a medical care and hospital care insurance plan, to the extent that the contract or plan essentially applies to expenses described in section 752.0.11.1 and that all or substantially all of the premium or any other consideration payable for coverage provided under the contract or plan is attributable to such expenses, except any such contract or plan established by or pursuant to a law of a province that establishes a health care insurance plan that is a health care insurance plan within the meaning of section 2 of the Canada Health Act (Revised Statutes of Canada, 1985, chapter C-6);”;

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

““public compensation plan” means a plan established under a law of Québec or of another jurisdiction that provides for the payment of benefits following an accident, employment injury, bodily injury or death or in order to prevent bodily injury, other than the Act respecting the Québec Pension Plan (chapter R-9), the Canada Pension Plan (Revised Statutes of Canada, 1985, chapter C-8) or any other law establishing a plan equivalent to that established under the Act respecting the Québec Pension Plan;”.

(2) Subsection 1 applies from the taxation year 2005.

**45.** (1) Section 2.2 of the Act is amended

(1) by inserting “, 890.0.1” after “660”;

(2) by replacing “II.11” by “II.11.13”.

(2) Paragraph 1 of subsection 1 has effect from 1 January 2004.

(3) Paragraph 2 of subsection 1 applies from 1 January 2006.

**46.** (1) Section 7.19 of the Act is amended by adding the following paragraph:

“Subparagraph *a* of the first paragraph does not apply to prevent a taxpayer from deducting, in computing the taxpayer’s income for a taxation year, an amount the taxpayer pays in the year as a reimbursement of an amount the taxpayer deducted in computing the taxpayer’s taxable income for a preceding taxation year.”

(2) Subsection 1 applies from the taxation year 2005.

**47.** (1) Section 21.0.1 of the Act is amended

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

““beneficiary”, under a trust, includes a person beneficially interested in the trust;

““majority-interest beneficiary”, of a trust at any time, means a person whose interest as a beneficiary, at that time,

(*a*) in the income of the trust has, together with the interests as a beneficiary in the income of the trust of all persons with whom the person is affiliated, a fair market value that is greater than 50% of the fair market value of all the interests as a beneficiary in the income of the trust; or

(*b*) in the capital of the trust has, together with the interests as a beneficiary in the capital of the trust of all persons with whom the person is affiliated, a fair market value that is greater than 50% of the fair market value of all the interests as a beneficiary in the capital of the trust;”;

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

““contributor”, to a trust, means a person who has at any time made a loan or transfer of property, either directly or indirectly, in any manner whatever, to or for the benefit of the trust other than, if the person deals at arm’s length with the trust at that time and is not immediately after that time a majority-interest beneficiary of the trust, a loan made at a reasonable rate of interest or a transfer made for fair market value consideration;”;

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

““majority-interest group of beneficiaries”, of a trust at any time, means a group of persons each of whom is a beneficiary under the trust at that time such that

(*a*) if one person held the interests as a beneficiary under the trust of all of the members of the group, that person would be a majority-interest beneficiary of the trust; and



(b) if any member of the group were not a member, the test described in paragraph *a* would not be met;”.

(2) Subsection 1 has effect from 23 March 2004 for the purpose of determining whether persons are affiliated after 22 March 2004.

**48.** (1) Section 21.0.2 of the Act is replaced by the following section:

“**21.0.2.** For the purposes of this chapter, the following rules apply:

(a) persons are affiliated with themselves;

(b) a person includes a partnership;

(c) despite section 646, a trust does not include the trustee or other persons who own or control the trust property; and

(d) for the purpose of determining whether a person is affiliated with a trust,

i. if the amount of income or capital of the trust that a person may receive as a beneficiary under the trust depends on the exercise by any person of, or the failure by any person to exercise, a discretionary power, that person is deemed to have fully exercised, or to have failed to exercise, the power, as the case may be,

ii. the interest of a person in a trust as a beneficiary is disregarded in determining whether the person deals at arm’s length with the trust if the person would, in the absence of the interest as a beneficiary, be considered to deal at arm’s length with the trust,

iii. a trust is not a majority-interest beneficiary of another trust unless the trust has an interest as a beneficiary in the income or capital of the other trust, and

iv. in determining whether a contributor to one trust is affiliated with a contributor to another trust, individuals connected by blood, marriage or adoption are deemed to be affiliated with one another.”

(2) Subsection 1 has effect from 23 March 2004 for the purpose of determining whether persons are affiliated after 22 March 2004. However, when paragraph *d* of section 21.0.2 of the Act applies before 16 September 2004, it reads without reference to its subparagraph iv.

**49.** (1) Section 21.0.3 of the Act is amended by adding the following paragraphs after paragraph *f*:

“(g) a person and a trust, if the person

- i. is a majority-interest beneficiary of the trust, or
  - ii. would, but for this paragraph, be affiliated with a majority-interest beneficiary of the trust; and
- “(h) two trusts, if a contributor to one of the trusts is affiliated with a contributor to the other trust and
- i. a majority-interest beneficiary of one of the trusts is affiliated with a majority-interest beneficiary of the other trust,
  - ii. a majority-interest beneficiary of one of the trusts is affiliated with each member of a majority-interest group of beneficiaries of the other trust, or
  - iii. each member of a majority-interest group of beneficiaries of each of the trusts is affiliated with at least one member of a majority-interest group of beneficiaries of the other trust.”

(2) Subsection 1 has effect from 23 March 2004 for the purpose of determining whether persons are affiliated after 22 March 2004.

**50.** (1) Section 21.1 of the Act, amended by section 31 of chapter 23 of the statutes of 2005, is again amended by inserting “711.2,” after “564.4.2,” in the first paragraph.

(2) Subsection 1 applies in respect of a gift made after 22 March 2004.

**51.** (1) Section 29 of the Act is amended by replacing “358.0.1” in the second paragraph by “358.0.3”.

(2) Subsection 1 applies from the taxation year 2006.

**52.** (1) The Act is amended by inserting the following section after section 37.0.3:

**“37.0.4.** An individual shall, in computing the income of the individual for the year from an office or employment, include any amount that the individual received from the individual’s employer in the year under a public compensation plan and that may not be considered to be an amount received as an income replacement indemnity solely because no employer may obtain the reimbursement of that amount.”

(2) Subsection 1 applies from the taxation year 2004. However, when section 37.0.4 of the Act applies to the taxation year 2004, it reads as follows:

**“37.0.4.** Despite paragraph *k.1* of section 311, an individual shall, in computing the income of the individual for the year from an office or employment, include any amount that the individual received from the individual’s employer in the year as compensation under an employees’ or

workers' compensation law of Canada or of a province in respect of an injury, a disability or death if, under the terms of that law, no employer, whether required or not to pay all or part of that amount, may obtain the reimbursement of that amount."

**53.** (1) Section 39 of the Act is amended by replacing subparagraph i of paragraph *a* by the following subparagraph:

"i. expressly established by the laws of Canada,".

(2) Subsection 1 applies from the taxation year 2006.

**54.** (1) Section 39.1 of the Act is repealed.

(2) Subsection 1 applies from the taxation year 2006.

**55.** (1) Section 39.2 of the Act is replaced by the following section:

**"39.2.** An individual who is a member of the National Assembly or of the legislature of another province is not required in computing the individual's income for a taxation year to include the portion of the allowance the individual receives in the year for expenses incident to the discharge of the individual's duties, which does not exceed one-half of the maximum fixed amount provided by the laws of a province as payable to the individual by way of salary, indemnity and other remuneration in respect of attendance at a session."

(2) Subsection 1 applies from the taxation year 2006.

**56.** (1) Section 42.0.1 of the Act is amended by replacing "paragraphs *a* to *c*" in paragraphs *a* and *b* by "subparagraphs *a* to *c* of the first paragraph".

(2) Subsection 1 applies from the taxation year 2006.

**57.** (1) Section 62.0.1 of the Act is repealed.

(2) Subsection 1 applies from the taxation year 2006.

**58.** (1) Section 75 of the Act is amended by inserting "or under the Act respecting parental insurance (chapter A-29.011)" after "Employment Insurance Act (Statutes of Canada, 1996, chapter 23)".

(2) Subsection 1 applies from the taxation year 2006.

**59.** (1) Section 78.5 of the Act is repealed.

(2) Subsection 1 applies from the taxation year 2006.

**60.** (1) Sections 78.8 and 78.9 of the Act are repealed.

(2) Subsection 1 applies from the taxation year 2004.

**61.** (1) Section 119.5 of the Act is amended by replacing “sections 771.8.3” in the portion before paragraph *a* by “subparagraph *i* of paragraph *d.2* of subsection 1 of section 771 and sections 771.2.1.2, 771.8.3”.

(2) Subsection 1 applies from the taxation year 2006. In addition, when section 119.5 of the Act applies to a taxation year that begins after 30 June 1999 and ends before 1 January 2006, the portion of that section before paragraph *a* reads as if “subparagraph *i* of paragraph *d.2* of subsection 1 of section 771 and” was inserted after “for the purposes of”.

**62.** (1) Section 133.5 of the Act is amended by replacing the second paragraph by the following paragraph:

“For the purposes of the first paragraph, “performing artist” means an individual engaged in activities as a program host or who performs in a creative field such as the theatre, motion pictures, music, dance, variety shows, multimedia, dubbing or advertising.”

(2) Subsection 1 has effect from 17 June 2004.

**63.** (1) Sections 157.18 and 157.19 of the Act are repealed.

(2) Subsection 1 applies from the taxation year 2004.

**64.** (1) The Act is amended by inserting the following section after section 238.3:

**“238.3.1.** If, in the course of administering the succession of a deceased taxpayer, the taxpayer’s legal representative elects in accordance with section 1054 to treat all or any portion of a succession’s capital loss, computed without reference to sections 238.1 and 238.3, from the disposition of a share of the capital stock of a corporation as a capital loss of the deceased taxpayer from the disposition of the share, sections 238.1 and 238.3 apply to the succession in respect of the loss only to the extent that the amount of the loss exceeds the portion of the loss to which the election applies.”

(2) Subsection 1 applies in respect of a loss from a disposition that occurs after 22 March 2004.

**65.** (1) Section 311 of the Act, amended by section 84 of chapter 1 of the statutes of 2005 and by section 47 of chapter 23 of the statutes of 2005, is again amended

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

“(c.1) a benefit under the Act respecting parental insurance (chapter A-29.011);”;

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

“(k.0.1) an income replacement indemnity or compensation for the loss of financial support under a public compensation plan;”;

(3) by striking out paragraphs *k.1* to *k.5*.

(2) Paragraph 1 of subsection 1 applies from the taxation year 2006.

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 2005.

**66.** (1) Section 311.2 of the Act is amended by replacing the first paragraph by the following paragraph:

“**311.2.** A taxpayer shall also include any amount received in the year by the taxpayer as financial assistance under the first phase of the Solidarité jeunesse project that is the subject of decision 195218 of the Conseil du trésor dated 23 August 2000 or under the Solidarité jeunesse program administered by the Ministère de l’Emploi et de la Solidarité sociale.”

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

**67.** (1) Section 312.5 of the Act is amended

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

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

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

“For the purposes of the second paragraph, “eligible taxation year” of a taxpayer means a taxation year throughout which the taxpayer was resident in Canada, other than a taxation year that ends in a calendar year in which the taxpayer became a bankrupt or a taxation year included, in whole or in part, in an averaging period determined in respect of the taxpayer for the purposes of Division II of Chapter II of Title I of Book V, as it read before being repealed.”

(2) Subsection 1 applies from the taxation year 2004.

**68.** (1) The Act is amended by inserting the following section after section 313.9:

“**313.10.** An individual, other than a trust that is not a personal trust, shall also include in computing the individual’s income for a taxation year an

amount equal to the amount by which the individual's investment expense for the year exceeds the individual's investment income for the year.

If the individual benefits for the year from the deduction provided for in any of sections 737.16, 737.18.10 and 737.18.34 in respect of an employment, the amount determined under the first paragraph must be determined with reference to the following rules:

(a) in the case of the deduction provided for in section 737.16, any particular amount otherwise included in the investment expense or investment income of the individual for the year, to the extent that that particular amount is taken into account in computing an income realized, or a loss sustained, in a specified period of the individual established under the fourth paragraph of section 65 of the Act respecting international financial centres (chapter C-8.3), in relation to the employment, or is such an income or loss, is deemed to be equal to the product obtained by multiplying that particular amount by the amount by which 100% exceeds the percentage determined under subparagraph 1 of the second paragraph of that section 65 in respect of that period;

(b) in the case of the deduction provided for in section 737.18.10, any particular amount otherwise included in the investment expense or investment income of the individual for the year, to the extent that that particular amount is taken into account in computing an income realized, or a loss sustained, in the individual's exemption period, within the meaning of section 737.18.6, in relation to the employment, or is such an income or loss, is deemed to be equal to zero; and

(c) in the case of the deduction provided for in section 737.18.34, any particular amount otherwise included in the investment expense or investment income of the individual for the year, to the extent that that particular amount is taken into account in computing an income realized, or a loss sustained, in a specified period of the individual, within the meaning of section 737.18.29, in relation to the employment, or is such an income or loss, is deemed to be equal to the product obtained by multiplying that particular amount by the amount by which 100% exceeds the percentage determined under subparagraph *a* of the second paragraph of section 737.18.34 in respect of that period.

In this section, "investment expense" and "investment income" have the meaning assigned by section 336.5."

(2) Subsection 1 applies from the taxation year 2004. However, when section 313.10 of the Act applies to the taxation year 2004, the first paragraph of that section reads as if "the proportion that the number of days in the year that follow 30 March 2004 is of the number of days in the year, of" was inserted after "equal to".

**69.** (1) Section 335 of the Act is replaced by the following section:

**“335.** If an individual is, throughout all or part of a taxation year, absent from Canada but resident in Québec and Chapter IX.0.1 applies in respect of the individual for the year or that part of the year, section 358.0.1 shall be read without reference in subparagraphs 9 and 10 of subparagraph ii of subparagraph *a* of its second paragraph to “in Canada” and without reference in its third paragraph to “, including, if the payee is an individual referred to in subparagraph 10 of subparagraph ii of that subparagraph *a*, the Social Insurance Number of the latter individual”, if the expenses referred to therein have been paid to a person not resident in Canada.”

(2) Subsection 1 applies from the taxation year 2004.

**70.** (1) Section 336 of the Act, amended by section 87 of chapter 1 of the statutes of 2005, is again amended

(1) by replacing “any of paragraphs *a*, *c* and *e* to *e.4* of section 311” in paragraph *d* by “any of paragraphs *a*, *c*, *c.1* and *e* to *e.4* of section 311”;

(2) by replacing paragraph *d.3* by the following paragraph:

“(d.3) the aggregate of all amounts each of which is an amount paid in the year by the taxpayer as a repayment, under the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26) or under a program administered pursuant to an agreement entered into under section 12 of that Act, of an amount included because of section 904 in computing the taxpayer’s income for the year or a preceding taxation year;”;

(3) by inserting the following paragraph after paragraph *d.3*:

“(d.3.1) an amount paid in the year by the taxpayer as a repayment of an amount included in computing the taxpayer’s income for the year or a preceding taxation year under paragraph *k.0.1* of section 311;”;

(4) by replacing “décision” in subparagraph iii of paragraph *e* in the French text by “une décision”;

(5) by adding the following subparagraph after subparagraph xi of paragraph *e*:

“xii. an assessment or a decision under the Act respecting parental insurance (chapter A-29.011);”.

(2) Paragraphs 1 and 5 of subsection 1 apply from the taxation year 2006.

(3) Paragraph 2 of subsection 1 has effect from 15 December 2004.

(4) Paragraph 3 of subsection 1 applies from the taxation year 2004. However, when paragraph *d.3.1* of section 336 of the Act applies to the taxation year 2004, it reads as if “under paragraph *k.0.1*” was replaced by “under any of paragraphs *k.1* to *k.5*”.

**71.** (1) The Act is amended by inserting the following sections after section 336.4:

**“336.5.** In this section and sections 336.6 and 336.7,

“additional investment expense” of an individual for a taxation year means the aggregate of

(a) the amount determined in respect of the individual for the year under subparagraph 2 of subparagraph iii of subparagraph *a.2* of the first paragraph of section 726.6;

(b) if the amount determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7 is equal to zero, the aggregate of the individual’s net capital losses for other taxation years deducted, without reference to subparagraph *b* of the first paragraph of section 729.1, under section 729 in computing the individual’s taxable income for the year;

(c) if the maximum amount that the individual could deduct under Title VI.5 of Book IV in computing the individual’s taxable income for the year, if no reference were made to this paragraph and subparagraph 2 of subparagraph vi of subparagraph *e* of the first paragraph of section 726.6, enacted by paragraph *c* of the definition of “investment income”, is greater than zero and equal to the amount determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7, and the individual deducts under that Title VI.5 in computing the individual’s taxable income for the year an amount equal to that maximum amount, the aggregate of the individual’s net capital losses for other taxation years deducted, without reference to subparagraph *b* of the first paragraph of section 729.1, under section 729 in computing the individual’s taxable income for the year; and

(d) in cases other than those provided for in paragraphs *b* and *c*, the amount that would be determined in respect of the individual for the year under subparagraph vi of subparagraph *a.2* of the first paragraph of section 726.6 if the amount resulting from a distribution made by a trust under section 668 were taken into account, despite the exception provided for in subsection 1 of section 668 in respect of Title VI.5 of Book IV;

“investment expense” of an individual for a taxation year means the investment expense of the individual for that year within the meaning that would be assigned to that expression by subparagraph *a.2* of the first paragraph of section 726.6 if,

(a) the portion of that subparagraph *a.2* before subparagraph i were read as follows:

“(a.2) “investment expense” of an individual for a taxation year means the aggregate of”;



(b) the amount determined under subparagraph 2 of subparagraph iii of that subparagraph *a.2* were equal to zero;

(c) for the purposes of subparagraph iv of that subparagraph *a.2*, any amount described as follows were equal to zero: any amount deducted in respect of expenses renounced in respect of a flow-through share that was

i. issued as a consequence of an investment made on or before 11 March 2005 or of an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus made on or before that date, or

ii. acquired out of the proceeds of a public issue of securities that are interest in a partnership issued as a consequence of an investment made on or before 11 March 2005 or of an application for a receipt for the preliminary prospectus or an application for an exemption from filing a prospectus made on or before that date;

(d) for the purposes of subparagraph v of that subparagraph *a.2*, the loss from renting or leasing a property were equal to zero; and

(e) the amounts determined under subparagraphs vi and vii of that subparagraph *a.2* were equal to zero;

“investment income” of an individual for a taxation year means the investment income of the individual for that year within the meaning that would be assigned to that expression by subparagraph *e* of the first paragraph of section 726.6 if,

(a) for the purposes of subparagraphs i and iv of that subparagraph *e*, an amount included in computing the individual’s income for the year under section 94 in respect of a property the income from which would be income from the renting or leasing of a property were equal to zero;

(b) for the purposes of subparagraph iv of that subparagraph *e*, the income from the renting or leasing of a property were equal to zero;

(c) subparagraph vi of that subparagraph *e* were read as follows:

“vi. the amount by which the aggregate of all amounts, including the amount resulting from a distribution made by a trust under section 668, despite the exception provided for in subsection 1 of section 668 in respect of this Title, that are included under paragraph *b* of section 28, in respect of capital gains and capital losses, in computing the individual’s income for the year, exceeds

(1) if the amount determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7 is equal to zero, an amount equal to zero,

(2) if the maximum amount that the individual could deduct under this Title in computing the individual's taxable income for the year, if no reference were made to this subparagraph 2 and paragraph *c* of the definition of "additional investment expense" in section 336.5, is greater than zero and equal to the amount determined in respect of the individual for the year by the formula in subparagraph *a* of the first paragraph of section 726.7, and the individual deducts under this Title in computing the individual's taxable income for the year an amount equal to that maximum amount, the amount deducted by the individual in computing the individual's taxable income for the year under this Title, and

(3) in any other case, the amount that would be determined in respect of the individual for the year under subparagraph *i* of subparagraph *b* if the amount resulting from a distribution made by a trust under section 668 were taken into account, despite the exception provided for in subsection 1 of section 668 in respect of this Title.”;

“total investment expense” of an individual for a taxation year means the aggregate of the individual's investment expense for the year and the individual's additional investment expense for the year;

“unused portion of the total investment expense” of an individual for a taxation year means

(a) in the case of a taxation year subsequent to the taxation year 2003, the aggregate of the amount included in computing the individual's income for the year under section 313.10 and the amount included in computing the individual's taxable income for the year under section 737.0.1; and

(b) in any other case, an amount equal to zero.

**“336.6.** An individual, other than a trust that is not a personal trust, may deduct in computing the individual's income for a particular taxation year the unused portions of the total investment expense of the individual for the taxation years that precede the particular year and those for the three taxation years that follow the particular year, up to the amount by which the amount of the individual's investment income for the particular year exceeds the individual's total investment expense for the particular year.

However, for the purpose of computing the individual's income for the taxation year in which the individual died and for the preceding taxation year, the first paragraph is to be read as if “for the taxation years that precede the particular year and those for the three taxation years that follow the particular year, up to the amount by which the amount of the individual's investment income for the particular year exceeds the individual's total investment expense for the particular year” was replaced by “for all of the individual's taxation years”.

**336.7.** No amount is deductible under section 336.6 in respect of an unused portion of the total investment expense for a taxation year until the unused portions of the total investment expense for the preceding taxation years have been deducted.

In addition, an unused portion of the total investment expense may be deducted for a taxation year under section 336.6 only if it exceeds the aggregate of the amounts deducted in its respect for the preceding taxation years under that section.”

(2) Subsection 1, except when it enacts the second paragraph of section 336.6 of the Act, applies from the taxation year 2001. However, when the definition of “investment expense” in section 336.5 of the Act applies to any of the taxation years 2001 to 2003, no account is to be taken of paragraph *a* of that definition.

(3) Subsection 1, when it enacts the second paragraph of section 336.6 of the Act, applies in respect of a death that occurs after 31 December 2003.

**72.** (1) Section 339 of the Act, amended by section 49 of chapter 23 of the statutes of 2005, is again amended by inserting the following paragraph after paragraph *i*:

“(i.1) the amount by which the amount referred to in subparagraph *a.2* of the second paragraph of section 752.0.0.1 is exceeded by the amount payable by the taxpayer for the year as a premium in respect of the taxpayer’s business income under the Act respecting parental insurance (chapter A-29.011), other than an amount, in respect of that amount payable by the taxpayer for the year, in relation to a business of the taxpayer, as that premium, if all of the taxpayer’s income from that business is not required to be included in computing the taxpayer’s income for the year or is deductible in computing the taxpayer’s taxable income for the year under any of sections 725, 737.16, 737.18.10, 737.18.34 and 737.22.0.10;”.

(2) Subsection 1 applies from the taxation year 2006.

**73.** (1) The heading of Chapter IX.0.1 of Title VI of Book III of Part I of the Act is replaced by the following heading:

“DEDUCTION FOR GOODS AND SERVICES TO SUPPORT A PERSON WITH AN IMPAIRMENT”.

(2) Subsection 1 applies from the taxation year 2004.

**74.** (1) Section 358.0.1 of the Act is amended

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

**“358.0.1.** An individual who files with the individual’s fiscal return under this Part for a taxation year, other than a return filed under the second paragraph of section 429 or any of sections 681, 782 and 1003, a prescribed form containing the prescribed information may deduct in computing the individual’s income for the year the lesser of

(a) the amount determined by the formula

$A - B$ ; and

(b) the aggregate of all amounts each of which is”;

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

“ii. the individual’s income for the year from a business carried on either alone or as a partner actively engaged in the business,”;

(3) by replacing “second” in subparagraph iv of subparagraph *b* of the first paragraph by “third”;

(4) by inserting the following paragraph after the first paragraph:

“In the formula in the first paragraph,

(a) A is the aggregate of all amounts each of which is an amount paid by the individual in the year and that

i. was paid to enable the individual to perform the duties of an office or employment, to carry on a business either alone or as a partner actively engaged in the business, to carry on research or any similar work in respect of which the individual received a grant, or to attend an educational institution referred to in section 358.0.2, or a secondary school, at which the individual is enrolled in an educational program,

ii. was paid

(1) where the individual has a speech or hearing impairment, for the cost of sign-language interpretation services or real time captioning services and to a person engaged in the business of providing such services,

(2) where the individual is deaf or mute, for the cost of a teletypewriter or similar device, including a telephone ringing indicator, prescribed by a practitioner, to enable the individual to make and receive telephone calls,

(3) where the individual is blind, for the cost of a device or equipment, including synthetic speech systems, Braille printers, and large-print on-screen devices, prescribed by a practitioner, and designed to be used by blind individuals in the operation of a computer,

(4) where the individual is blind, for the cost of an optical scanner or similar device, prescribed by a practitioner, and designed to be used by blind individuals to enable them to read print,

(5) where the individual is mute, for the cost of an electronic speech synthesizer, prescribed by a practitioner, and designed to be used by mute individuals to enable them to communicate by use of a portable keyboard,

(6) where the individual has a mental or physical impairment, for the cost of note-taking services and to a person engaged in the business of providing such services, if the individual has been certified in writing by a practitioner to be a person who, because of that impairment, requires such services,

(7) where the individual has a physical impairment, for the cost of voice recognition software, if the individual has been certified in writing by a practitioner to be a person who, because of that impairment, requires that software,

(8) where the individual has a learning disability or a mental impairment, for the cost of tutoring services that are rendered to, and supplementary to the primary education of, the individual and to a person ordinarily engaged in the business of providing such services to individuals who are not related to the person, if the individual has been certified in writing by a practitioner to be a person who, because of that disability or impairment, requires those services,

(9) where the individual has a perceptual disability, for the cost of talking textbooks used by the individual in connection with the individual's enrolment at a secondary school in Canada or at an educational institution described in section 358.0.2, if the individual has been certified in writing by a practitioner to be a person who, because of that disability, requires those textbooks, and

(10) where the individual has a mental or physical impairment, for the cost of attendant care services provided in Canada and to a person who is neither the individual's spouse nor under 18 years of age, if the individual is a taxpayer in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the year, or if the individual has been certified in writing by a practitioner to be a person who is, and is likely to be indefinitely, dependent on others for personal needs and care and who as a result requires a full-time attendant, and

iii. is not included in computing a deduction under sections 752.0.11 to 752.0.13.0.1 for any taxpayer and for any taxation year; and

(*b*) B is the aggregate of all amounts each of which is the amount of a reimbursement or any other form of assistance, other than a prescribed amount or an amount that is included in computing a taxpayer's income and that is not deductible in computing the taxpayer's taxable income, that any taxpayer is or was entitled to receive in respect of an amount described in subparagraph *a*.";

(5) by replacing the portion of the second paragraph before subparagraph *a* in the French text by the following:

“Le montant auquel le sous-paragraphe iv du paragraphe *b* du premier alinéa fait référence désigne le moindre des montants suivants:”;

(6) by striking out “and sections 78.8 and 157.18” in subparagraph *c* of the second paragraph;

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

“However, the payment of an amount described in subparagraph *a* of the second paragraph may be included in computing a deduction under the first paragraph only if proof of payment of the amount is given by filing with the Minister one or more receipts issued by the payee, including, if the payee is an individual referred to in subparagraph 10 of subparagraph ii of that subparagraph *a*, the Social Insurance Number of the latter individual.”

(2) Paragraphs 1 to 4, 6 and 7 of subsection 1 apply from the taxation year 2004. However, when section 358.0.1 of the Act applies to the taxation year 2004 or 2005, subparagraph 10 of subparagraph ii of subparagraph *a* of the second paragraph reads as follows:

“(10) where the individual has a mental or physical impairment, for the cost of attendant care services provided in Canada and to a person who is neither the individual’s spouse nor under 18 years of age, if the individual is a taxpayer in respect of whom an amount may be deducted under section 752.0.14 or 752.0.15, or if the individual has been certified in writing by a practitioner to be a person who is, and is likely to be indefinitely, dependent on others for personal needs and care and who as a result requires a full-time attendant, and”.

**75.** (1) Section 358.0.2 of the Act is amended by replacing the portion before paragraph *a* by the following:

“**358.0.2.** The educational institution to which section 358.0.1 refers is”.

(2) Subsection 1 applies from the taxation year 2004.

**76.** (1) The Act is amended by inserting the following after section 358.0.2:

#### “CHAPTER IX.0.2

#### “DEDUCTION TO WORKERS

“**358.0.3.** An individual, other than a trust, may deduct in computing the individual’s income for a taxation year the lesser of \$500 and 6% of the

aggregate of all amounts, other than those described in the second paragraph, each of which is

(a) an amount included under any of sections 32 to 58.3 in computing the individual's income for the year from an office or employment;

(b) the amount by which the individual's income for the year from any business the individual carries on either alone or as a partner actively engaged in the business exceeds the aggregate of the individual's losses for the year from such businesses;

(c) an amount included in computing the individual's income for the year under paragraph *e.2* of section 311; or

(d) an amount included in computing the individual's income for the year under paragraph *h* of section 312.

The amounts to which the first paragraph refers are

(a) the amounts included in computing the individual's income for the year from an office or employment held by the individual as an elected member of a municipal council, a member of the council or executive committee of a metropolitan community, regional county municipality or other similar body established under an Act of the Legislature of Québec, a member of a municipal utilities commission or corporation or any other similar body administering such utilities or a member of a public or separate school board or any other similar body administering a school district;

(b) the amounts included in computing the individual's income for the year from an office held by the individual as a member of the National Assembly, the House of Commons of Canada, the Senate or the legislature of another province; and

(c) if the individual is an Indian or a person of Indian ancestry, within the meaning assigned to those expressions by section 725.0.1, the amount the individual included in computing the individual's income for the year and that is described in paragraph *e* of section 725."

(2) Subsection 1 applies from the taxation year 2006.

**77.** Section 418.1.2 of the Act is amended by replacing "acquiert" in subparagraph iii of paragraph *e* in the French text by "acquière".

**78.** (1) Section 421.2 of the Act is amended by inserting the following subparagraphs after subparagraph ii.1 of subparagraph *f* of the first paragraph:

"ii.2. performing arts variety shows,

"ii.3. museum exhibits,".

(2) Subsection 1 applies in respect of a subscription or ticket purchased after 21 April 2005.

**79.** (1) The Act is amended by inserting the following after section 421.8:

**“DIVISION IV**

**“FINES AND PENALTIES**

**“421.9.** In computing income, no amount may be deducted in respect of a fine or penalty, other than a prescribed fine or penalty, or of an amount of interest relating to that fine or penalty, imposed under the laws of a country or of a state, province, territory or other political subdivision of such a country by a person or public body authorized to impose the fine or penalty.”

(2) Subsection 1 applies in respect of a fine or penalty imposed on a taxpayer after 22 March 2004, except a fine or penalty that is imposed on a taxpayer after that date under a fiscal law and that replaces a fine or penalty imposed on the taxpayer before 23 March 2004, to the extent that the latter fine or penalty would have been deductible in computing the taxpayer’s income had it not been cancelled by reason of the imposition of the new fine or penalty.

**80.** (1) Section 570 of the Act is amended by replacing paragraph *o* by the following paragraph:

“(o) “public corporation” means a public corporation within the meaning assigned by subsection 1 of section 89 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) and the regulations made under that section, and a corporation that is deemed to be a public corporation under paragraph *ii* of subsection 2 of section 87 of the Income Tax Act.”

(2) Subsection 1 is declaratory.

**81.** (1) Section 658 of the Act, amended by section 129 of chapter 1 of the statutes of 2005, is again amended by replacing “paragraphs *a* to *c*” in subparagraph *i* of paragraph *a* of the definition of “preferred beneficiary” in the first paragraph by “subparagraphs *a* to *c* of the first paragraph”.

(2) Subsection 1 applies from the taxation year 2006.

**82.** (1) Section 693 of the Act, amended by section 56 of chapter 23 of the statutes of 2005, is again amended, in the second paragraph,

(1) by striking out “694.0.3.”;

(2) by inserting “VII.0.1,” after “VII.”.



(2) Paragraph 1 of subsection 1 applies from the taxation year 2005.

(3) Paragraph 2 of subsection 1 applies from the taxation year 2004.

**83.** (1) Section 694.0.1 of the Act is replaced by the following section:

**“694.0.1.** An individual shall, in computing the individual’s taxable income for a taxation year, include the portion, relating to one or more preceding taxation years that are eligible taxation years of the individual, of the aggregate of all amounts deducted by the individual in computing the individual’s income for the year under section 336.0.3 or 336.0.4, if the total of that portion is at least \$300.

For the purposes of the first paragraph, “eligible taxation year” of an individual means a taxation year throughout which the individual was resident in Canada, other than a taxation year that ends in a calendar year in which the individual became a bankrupt or a taxation year included, in whole or in part, in an averaging period determined in respect of the individual for the purposes of Division II of Chapter II of Title I of Book V, as it read before being repealed.”

(2) Subsection 1 applies from the taxation year 2004.

**84.** (1) Section 694.0.2 of the Act is replaced by the following section:

**“694.0.2.** Despite section 7.19, a taxpayer shall, in computing the taxpayer’s taxable income for a taxation year, include any amount deducted in computing the taxpayer’s income for the year as a repayment of a particular amount the taxpayer included in computing the taxpayer’s income for a preceding taxation year, to the extent that the particular amount has been deducted in computing the taxpayer’s taxable income for that preceding taxation year.”

(2) Subsection 1 applies from the taxation year 2005.

**85.** (1) Section 694.0.3 of the Act is repealed.

(2) Subsection 1 applies from the taxation year 2005.

**86.** (1) The Act is amended by inserting the following section after section 711.1:

**“711.2.** Despite section 563, if control of a particular corporation is acquired at any time by a person or group of persons, the following rules apply:

(a) no amount is deductible under any of paragraphs *a* to *d* of section 710 in computing any corporation’s taxable income for a taxation year that ends at

or after that time in respect of a gift made by the particular corporation before that time; and

(b) no amount is deductible under any of paragraphs *a* to *d* of section 710 in computing any corporation's taxable income for a taxation year that ends at or after that time in respect of a gift made by any corporation at or after that time if the property that is the subject of the gift was acquired by the particular corporation under an arrangement under which it was expected that control of the particular corporation would be so acquired by a person or group of persons, other than a qualified donee that received the gift, and that the gift would be so made."

(2) Subsection 1 applies in respect of a gift made after 22 March 2004.

**87.** (1) Section 725 of the Act, amended by section 136 of chapter 1 of the statutes of 2005, is again amended

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

"(a.1) an amount received as an income replacement indemnity or as compensation for the loss of financial support under a public compensation plan;";

(2) by striking out paragraphs *b* and *b.1*;

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

"(d.1) the lesser of

i. the employment income earned by the individual as a member of the Canadian Forces, or as a police officer, while serving on a mission recognized for the purposes of clause A of subparagraph v of paragraph *f* of subsection 1 of section 110 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), and

ii. the employment income that would have been earned by the individual while serving on the mission referred to in subparagraph i if the individual had been paid at the maximum rate of pay that applied, during the mission, to a non-commissioned member of the Canadian Forces; or"

(2) Paragraphs 1 and 2 of subsection 1 apply from the taxation year 2005.

(3) Paragraph 3 of subsection 1 applies from the taxation year 2004.

**88.** (1) Section 725.1.2 of the Act is amended

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

**“725.1.2.** An individual, other than a trust, may deduct, in computing the individual’s taxable income for a taxation year, if the individual so elects, the portion, relating to one or more preceding taxation years that are eligible taxation years of the individual, of the aggregate of all amounts each of which is an amount described in the second paragraph that the individual includes in computing the individual’s income for the year, if the total of that portion is at least \$300.”;

(2) by replacing “or the Employment Insurance Act (Statutes of Canada, 1996, chapter 23)” in subparagraph *b* of the second paragraph by “, the Employment Insurance Act (Statutes of Canada, 1996, chapter 23), the Act respecting parental insurance (chapter A-29.011)”;

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

“For the purposes of the first paragraph, “eligible taxation year” of an individual means a taxation year throughout which the individual was resident in Canada, other than a taxation year that ends in a calendar year in which the individual became a bankrupt or a taxation year included in an averaging period determined in respect of the individual for the purposes of Division II of Chapter II of Title I of Book V, as it read before being repealed.”

(2) Paragraphs 1 and 3 of subsection 1 apply from the taxation year 2004.

(3) Paragraph 2 of subsection 1 applies from the taxation year 2006.

**89.** (1) Section 726.6 of the Act, amended by section 138 of chapter 1 of the statutes of 2005 and by section 75 of chapter 23 of the statutes of 2005, is again amended

(1) by replacing the portion of subparagraph *a.2* of the first paragraph before subparagraph *i* by the following:

“(a.2) “investment expense” of an individual for a taxation year means an amount equal to the amount by which the aggregate of the amount included in computing the individual’s income for the year under section 313.10 and the amount included in computing the individual’s taxable income for the year under section 737.0.1 is exceeded by the aggregate of”;

(2) by adding the following subparagraph after subparagraph *vi* of subparagraph *a.2* of the first paragraph:

“vii. the amount deducted in computing the individual’s income for the year under section 336.6”;

(3) by replacing “*c* to *e*” in subparagraph *iii* of subparagraph *e* of the first paragraph by “*c* to *e.1*”;

(4) by replacing “réfère le paragraphe *a.3* du premier alinéa” in the portion of the fifth paragraph before subparagraph *a* in the French text by “le paragraphe *a.3* du premier alinéa fait référence”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 2004.

(3) Paragraph 2 of subsection 1 applies from the taxation year 2001.

(4) Paragraph 3 of subsection 1 applies to a taxation year that begins after 31 December 2000.

**90.** (1) Section 726.29 of the Act is amended by replacing the first paragraph by the following paragraph:

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

(2) Subsection 1 has effect from 22 February 2002.

**91.** (1) Section 727 of the Act is amended by replacing “seven” by “ten”.

(2) Subsection 1 applies in respect of a loss sustained in a taxation year that ends after 22 March 2004.

**92.** (1) Section 728.0.1 of the Act is amended

(1) by replacing “réfère l’article 728” in the portion before paragraph *a* in the French text by “l’article 728 fait référence”;

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

“(b) the amount by which, for the year, in respect of the taxpayer, the total of the aggregate of the amounts determined under paragraphs *a* and *b* of section 28 and the portion of the amount determined under section 737.0.1 that does not exceed the amount determined under paragraph *b*, *c* or *d*, as the case may be, of the definition of “additional investment expense” in section 336.5, exceeds the amount determined under subparagraph *i* of paragraph *c* of section 28.”

(2) Paragraph 2 of subsection 1 applies from the taxation year 2004. However, when section 728.0.1 of the Act applies to the taxation year 2004, paragraph *b* of that section reads as if “that does not exceed the” was replaced by “that does not exceed the proportion that the number of days in the year that follow 30 March 2004 is of the number of days in the year, of the”.

**93.** (1) Section 730 of the Act is amended by replacing “seventh” in subparagraphs i to iii of paragraph *b* by “tenth”.

(2) Subsection 1 applies in respect of a loss sustained in a taxation year that ends after 22 March 2004. However, when subparagraph iii of paragraph *b* of section 730 of the Act applies to a taxation year of the taxpayer that precedes the taxpayer’s eighth taxation year that ends after that date, it reads as if “tenth” was replaced by “seventh”.

**94.** (1) Section 733.0.8 of the Act is amended by replacing “the individual’s eligibility period” and “in respect of that employment” by “any of the individual’s specified periods” and “in respect of that period”, respectively.

(2) Subsection 1 applies from the taxation year 2004.

**95.** (1) The Act is amended by inserting the following after section 737:

**“TITLE VII.0.1**

**“ADJUSTMENT IN RESPECT OF AN ADDITIONAL INVESTMENT EXPENSE**

**“737.0.1.** An individual, other than a trust that is not a personal trust, shall include in computing the individual’s taxable income for a taxation year an amount equal to the amount by which the amount of the individual’s additional investment expense for the year exceeds the portion of the individual’s investment income for the year in excess of the individual’s investment expense for the year.

If the individual benefits for the year from the deduction provided for in any of sections 737.16, 737.18.10 and 737.18.34 in respect of an employment, the amount determined under the first paragraph must be determined on the assumption that the rules set out in the second paragraph of section 313.10 apply in respect of the particular amounts otherwise included in the investment expense or investment income of the individual for the year and, with the necessary modifications, in respect of the particular amounts taken into account in computing the amounts otherwise included in the additional investment expense of the individual for the year.

In this section, “additional investment expense”, “investment expense” and “investment income” have the meaning assigned by section 336.5.”

(2) Subsection 1 applies from the taxation year 2004. However, when section 737.0.1 of the Act applies to the taxation year 2004, the first paragraph of that section reads as if “the proportion that the number of days in the year that follow 30 March 2004 is of the number of days in the year, of” was inserted after “equal to”.

**96.** (1) Section 737.18 of the Act is amended

(1) by replacing “the individual’s reference period, established under section 69” and “of section 65 of that Act in respect of that employment” in paragraphs *c* to *f* and *h* by “any of the individual’s specified periods, established under the fourth paragraph of section 65” and “of that section 65 in respect of that period”, respectively;

(2) by replacing “in the individual’s reference period, established under section 69” and “of section 65 of that Act in respect of that employment” in subparagraphs *i* to *iii* of paragraph *g* by “in any of the individual’s specified periods, established under the fourth paragraph of section 65” and “of that section 65 in respect of that period”, respectively.

(2) Subsection 1 applies from the taxation year 2004.

**97.** (1) Section 737.18.2 of the Act is replaced by the following section:

**“737.18.2.** For the purpose of determining, for the purposes of this Title, the income or loss of a qualified corporation for a taxation year from its activities relating to the administration and management of a qualified investment fund of the qualified corporation, the income or loss shall be computed

(a) as if the activities constituted the carrying on, by the qualified corporation, of a separate business; and

(b) without reference to the portion, that may reasonably be considered to be attributable to that income or loss, of the specified income or specified loss, within the meaning assigned to those expressions by section 49 of the Act respecting international financial centres (chapter C-8.3), of the qualified corporation for the year from the operations of an international financial centre operated by the qualified corporation.”

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**98.** (1) Section 737.18.9 of the Act, amended by section 81 of chapter 23 of the statutes of 2005, is replaced by the following section:

**“737.18.9.** Subject to the second paragraph, the rules set out in section 1029.8.36.0.48 apply to this Title if Investissement Québec replaces or revokes a certificate issued to a corporation or partnership in respect of a recognized business.

For the purposes of the definition of “eligible employer” in the first paragraph of section 737.18.6, the revoked certificate referred to in the first paragraph is deemed to be null at the time the certificate is revoked or, if it is later, at the time the revocation becomes effective, and is deemed not to have been issued as of that time.”

(2) Subsection 1 applies from the taxation year 1999. However, when section 737.18.9 of the Act applies

(1) before 31 March 2004, its first paragraph reads as if “Investissement Québec” was replaced by “the Minister of Finance”;

(2) before 1 January 2001, its second paragraph reads as if “For the purposes of the definition of “eligible employer”” was replaced by “For the purposes of section 737.18.7 and the definition of “foreign specialist””.

**99.** (1) Section 737.18.25 of the Act is amended by replacing subparagraphs i and ii of paragraph *a* by the following subparagraphs:

“i. in respect of a corporation, except a corporation that is an insurer within the meaning assigned by the Act respecting insurance (chapter A-32), its paid-up capital that would be determined for that year in accordance with Book III of Part IV if no reference were made to paragraph *b.2* of subsection 1 of section 1136, paragraphs *d* and *e* of section 1137 and sections 1137.0.0.1, 1138.0.1, 1138.2.1 to 1138.2.3, 1138.2.5 and 1141.3 to 1141.11, and

“ii. in respect of a corporation that is an insurer, within the meaning assigned by the Act respecting insurance, its paid-up capital that would be determined for that year in accordance with Title II of Book III of Part IV if it were a bank, if paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136 and if no reference were made to sections 1141.3 to 1141.11;”.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**100.** (1) Section 737.18.29 of the Act is amended

(1) by adding the following paragraph after paragraph *b* of the definition of “eligibility period” in the first paragraph:

“(c) where the individual entered into the individual’s employment contract with the qualified corporation after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual’s taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre

established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;”;

(2) by inserting the following definition in alphabetical order in the first paragraph:

““specified period” of an individual in relation to an employment held by the individual with a qualified corporation means

(a) where the individual entered into the individual’s employment contract with the qualified corporation after 30 March 2004, any part of the individual’s eligibility period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of “eligibility period”; and

(b) in any other case, the individual’s eligibility period in relation to that employment;”;

(3) by replacing “an eligible employer” in the second paragraph by “a qualified corporation”.

(2) Paragraphs 1 and 2 of subsection 1 apply from the taxation year 2004.

(3) Paragraph 3 of subsection 1 has effect from 1 January 2001.

**101.** (1) Section 737.18.30.2 of the Act is amended by replacing “before 13 June 2003” in subparagraph *a* of the third paragraph by “at the particular time”.

(2) Subsection 1 applies from the taxation year 2004.

**102.** (1) Section 737.18.32 of the Act is amended

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

**“737.18.32.** If, at a particular time included in a specified period of an individual in relation to an employment held by the individual with a qualified corporation, in this section referred to as the “initial specified period”, the individual, who was a foreign specialist for all or part of the taxation year that includes the particular time, acquired a right to a security under an agreement referred to in section 48 and, at a later time after the end of the initial specified period, the individual is deemed to receive a benefit in a particular taxation year because of the application of any of sections 49 and 50 to 52.1 in respect of the security, or the transfer or any other disposition of the rights under the agreement, the following rules apply:”;



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

“(b) for the purpose of applying the first and second paragraphs of section 737.18.34 in respect of the amount of the benefit included by the individual in computing the individual’s income for the particular taxation year, the later time is deemed to be a specified period of the individual in relation to that employment and that specified period is deemed to be included in the year of the period described in paragraph *c* of the definition of “eligibility period” in the first paragraph of section 737.18.29 in which the initial specified period is itself included;”;

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

“(b.1) for the purpose of applying paragraphs *a* and *b* of section 737.18.35 in respect of the amount of the benefit included by the individual in computing the individual’s income for the particular taxation year, the later time is deemed to be an eligibility period of the individual in relation to that employment; and”.

(2) Subsection 1 applies from the taxation year 2004.

**103.** (1) Section 737.18.34 of the Act is amended

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

“**737.18.34.** Subject to the fourth paragraph, an individual who, for all or part of a taxation year, is a foreign specialist holding employment with a qualified corporation, may deduct, in computing the individual’s taxable income for the year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula”;

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

“*i.* if the individual entered into the individual’s employment contract with the qualified corporation between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%”;

(3) by inserting the following subparagraph after subparagraph *i* of subparagraph *a* of the second paragraph:

“*i.1.* if the individual entered into the individual’s employment contract with the qualified corporation after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of “eligibility period” in the first paragraph of section 737.18.29,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 37.5%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and”;

(4) by replacing subparagraph ii of subparagraph *a* of the second paragraph by the following subparagraph:

“ii. in any other case, 100%; and”;

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

“(b) B is the portion of the individual’s income for the year that may reasonably be considered to be realized in the part of the individual’s specified period that is included in the year.”

(2) Subsection 1 applies from the taxation year 2004.

**104.** (1) Section 737.18.35 of the Act is amended

(1) by replacing “the individual’s eligibility period” and “in respect of that employment” in paragraphs *c* to *f* and *h* by “any of the individual’s specified periods” and “in respect of that period”, respectively;

(2) by replacing “in the individual’s eligibility period” and “in respect of that employment” in subparagraphs i to iii of paragraph *g* by “in any of the individual’s specified periods” and “in respect of that period”, respectively.

(2) Subsection 1 applies from the taxation year 2004.

**105.** (1) The heading of Chapter I of Title VII.3 of Book IV of Part I of the Act is replaced by the following heading:

“INTERPRETATION AND GENERAL”.

(2) Subsection 1 has effect from 1 January 2004.

**106.** (1) Section 737.19 of the Act is amended

(1) by adding the following paragraph after paragraph *b* of the definition of “research activity period” in the first paragraph:

“(c) where the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual’s taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;”;

(2) by inserting the following definition in alphabetical order in the first paragraph:

““specified period” of an individual in relation to an employment held by the individual with an eligible employer means

(a) where the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004, any part of the individual’s research activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of “research activity period”; and

(b) in any other case, the individual’s research activity period in relation to that employment;”;

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

“For the purposes of the definition of “eligible income” in the first paragraph, any benefit that an individual is deemed to receive, in a particular taxation year, in connection with an employment the individual holds with an eligible employer, because of the application of any of sections 49 and 50 to 52.1, is considered to be included in the amounts that are paid to the individual as wages in the year by that employer.”

(2) Subsection 1 applies from the taxation year 2004.

**107.** (1) Section 737.20.2 of the Act is amended by replacing “before 13 June 2003” in subparagraph *a* of the third paragraph by “at the particular time”.

(2) Subsection 1 applies from the taxation year 2004.

**108.** (1) Section 737.21 of the Act is amended

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

“**737.21.** An individual who, at any time, holds employment as a foreign researcher with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula”;

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

“*i.* if the individual entered into the individual’s employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%”;

(3) by inserting the following subparagraph after subparagraph *i* of subparagraph *a* of the second paragraph:

“*i.1.* if the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of “research activity period” in the first paragraph of section 737.19,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and”;

(4) by replacing subparagraph *ii* of subparagraph *a* of the second paragraph by the following subparagraph:

“*ii.* in any other case, 100%”;

(5) by replacing subparagraphs *b* and *c* of the second paragraph by the following subparagraphs:

“(b) B is the portion of the individual’s eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

“(c) C is the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign researcher during that specified period of the individual.”

(2) Subsection 1 applies from the taxation year 2004.

**109.** (1) Section 737.22 of the Act is amended

(1) by replacing “in the individual’s eligible income for the year, in relation to an employment” and “in respect of that employment” in paragraphs *c* and *d* by “in the portion of the individual’s eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual’s specified periods, in relation to that employment” and “in respect of that period”, respectively;

(2) by replacing “in the individual’s research activity period” and “in respect of that employment” in subparagraphs i to iii of paragraph *e* by “in any of the individual’s specified periods” and “in respect of that period”, respectively.

(2) Subsection 1 applies from the taxation year 2004.

**110.** (1) The heading of Chapter I of Title VII.3.0.1 of Book IV of Part I of the Act is replaced by the following heading:

“INTERPRETATION AND GENERAL”.

(2) Subsection 1 has effect from 1 January 2004.

**111.** (1) Section 737.22.0.0.1 of the Act is amended, in the first paragraph,

(1) by adding the following paragraph after paragraph *b* of the definition of “research activity period”:

“(c) if the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may

deduct an amount in computing the individual's taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;"

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

““specified period” of an individual in relation to an employment held by the individual with an eligible employer means

(*a*) if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, any part of the individual's research activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of “research activity period”; and

(*b*) in any other case, the individual's research activity period in relation to that employment;”.

(2) Subsection 1 applies from the taxation year 2004.

**112.** (1) Section 737.22.0.0.2.2 of the Act is amended by replacing “before 13 June 2003” in subparagraph *a* of the third paragraph by “at the particular time”.

(2) Subsection 1 applies from the taxation year 2004.

**113.** (1) Section 737.22.0.0.3 of the Act is amended

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

**“737.22.0.0.3.** An individual who, at any time, holds employment as a foreign researcher on a post-doctoral internship with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula”;

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

“i. if the individual entered into the individual’s employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%,”;

(3) by inserting the following subparagraph after subparagraph i of subparagraph *a* of the second paragraph:

“i.1. if the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of “research activity period” in the first paragraph of section 737.22.0.0.1,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and”;

(4) by replacing subparagraph ii of subparagraph *a* of the second paragraph by the following subparagraph:

“ii. in any other case, 100%,”;

(5) by replacing subparagraphs *b* and *c* of the second paragraph by the following subparagraphs:

“(b) B is the portion of the individual’s eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

“(c) C is the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign researcher on a post-doctoral internship during that specified period of the individual.”

(2) Subsection 1 applies from the taxation year 2004.

**114.** (1) Section 737.22.0.0.4 of the Act is amended

(1) by replacing “in the individual’s eligible income for the year, in relation to an employment” and “in respect of that employment” in paragraphs *c* and *d* by “in the portion of the individual’s eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual’s specified periods, in relation to that employment” and “in respect of that period”, respectively;

(2) by replacing “in the individual’s research activity period” and “in respect of that employment” in subparagraphs *i* to *iii* of paragraph *e* by “in any of the individual’s specified periods” and “in respect of that period”, respectively.

(2) Subsection 1 applies from the taxation year 2004.

**115.** (1) The heading of Chapter I of Title VII.3.0.2 of Book IV of Part I of the Act is replaced by the following heading:

“INTERPRETATION AND GENERAL”.

(2) Subsection 1 has effect from 1 January 2004.

**116.** (1) Section 737.22.0.0.5 of the Act is amended

(1) by adding the following paragraph after paragraph *b* of the definition of “eligible activity period” in the first paragraph:

“(c) if the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

*i.* unless subparagraph *ii* applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual’s taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph *ii* of paragraph *a* of section 737.20, or

*ii.* if the individual began to perform the duties of the employment referred to in subparagraph *i* under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;”;



(2) by inserting the following definition in alphabetical order in the first paragraph:

““specified period” of an individual in relation to an employment held by the individual with an eligible employer means

(a) if the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004, any part of the individual’s eligible activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of “eligible activity period”; and

(b) in any other case, the individual’s eligible activity period in relation to that employment;”;

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

“For the purposes of the definition of “eligible income” in the first paragraph, any benefit that an individual is deemed to receive, in a particular taxation year, in connection with an employment held by the individual with an eligible employer, because of the application of any of sections 49 and 50 to 52.1, is considered to be included in the amounts that are paid to the individual as wages in the year by that employer.”

(2) Subsection 1 applies from the taxation year 2004.

**117.** (1) Section 737.22.0.0.6.2 of the Act is amended by replacing “before 13 June 2003” in subparagraph *a* of the third paragraph by “at the particular time”.

(2) Subsection 1 applies from the taxation year 2004.

**118.** (1) Section 737.22.0.0.7 of the Act is amended

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

**“737.22.0.0.7.** An individual who, at any time, holds employment as a foreign expert with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula”;

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

“i. if the individual entered into the individual’s employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%,”;

(3) by inserting the following subparagraph after subparagraph *i* of subparagraph *a* of the second paragraph:

“i.1. if the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of “eligible activity period” in the first paragraph of section 737.22.0.0.5,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and”;

(4) by replacing subparagraph *ii* of subparagraph *a* of the second paragraph by the following subparagraph:

“ii. in any other case, 100%”;

(5) by replacing subparagraphs *b* and *c* of the second paragraph by the following subparagraphs:

“(b) B is the portion of the individual’s eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

“(c) C is the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign expert during that specified period of the individual.”

(2) Subsection 1 applies from the taxation year 2004.

**119.** (1) Section 737.22.0.0.8 of the Act is amended

(1) by replacing “in the individual’s eligible income for the year, in relation to an employment” and “in respect of that employment” in paragraphs *c* and *d* by “in the portion of the individual’s eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual’s specified periods, in relation to that employment” and “in respect of that period”, respectively;

(2) by replacing “in the individual’s eligible activity period” and “in respect of that employment” in subparagraphs i to iii of paragraph *e* by “in any of the individual’s specified periods” and “in respect of that period”, respectively.

(2) Subsection 1 applies from the taxation year 2004.

**120.** (1) The heading of Chapter I of Title VII.3.1 of Book IV of Part I of the Act is replaced by the following heading:

“INTERPRETATION AND GENERAL”.

(2) Subsection 1 has effect from 1 January 2004.

**121.** (1) Section 737.22.0.1 of the Act, amended by section 88 of chapter 23 of the statutes of 2005, is again amended

(1) by adding the following paragraph after paragraph *b* of the definition of “specialized activity period” in the first paragraph:

“(c) where the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual’s taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;”;

(2) by inserting the following definition in alphabetical order in the first paragraph:

““specified period” of an individual in relation to an employment held by the individual with an eligible employer means

(a) where the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, any part of the individual's specialized activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of "specialized activity period"; and

(b) in any other case, the individual's specialized activity period in relation to that employment;"

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

"For the purposes of the definition of "eligible income" in the first paragraph, any benefit that an individual is deemed to receive, in a particular taxation year, in connection with an employment held by the individual with an eligible employer, because of the application of any of sections 49 and 50 to 52.1, is considered to be included in the amounts that are paid to the individual as wages in the year by that employer."

(2) Subsection 1 applies from the taxation year 2004.

**122.** (1) The Act is amended by inserting the following section after section 737.22.0.1.2, enacted by section 89 of chapter 23 of the statutes of 2005:

**"737.22.0.1.3.** For the purposes of the definition of "eligible employer" in the first paragraph of section 737.22.0.1, the following rules apply:

(a) if a certificate or qualification certificate that was issued to a corporation described in any of paragraphs *a* and *g* to *j* of the definition of that expression is revoked, the certificate or qualification certificate is deemed to be null at the time the certificate or qualification certificate is revoked or, if it is later, at the time the revocation becomes effective, and is deemed not to have been issued as of that time; and

(b) if a certificate that was issued for a taxation year to a corporation described in any of paragraphs *b* to *f* of the definition of that expression is revoked, the certificate is deemed not to have been revoked for that taxation year."

(2) Subsection 1 applies from the taxation year 1997. However, when section 737.22.0.1.3 of the Act applies

(1) before the taxation year 2002 but after the taxation year 1999, its paragraph *a* reads as follows:

"(a) if a certificate that was issued to a corporation described in paragraph *a* of the definition of that expression is revoked, the certificate is deemed to be null at the time the certificate is revoked or, if it is later, at the time the revocation becomes effective, and is deemed not to have been issued as of that time; and";

(2) to the taxation year 2000, its paragraph *b* reads as follows:

“(b) if a certificate that has been issued for a taxation year to a corporation described in any of paragraphs *b* to *e* of the definition of that expression is revoked, the certificate is deemed not to have been revoked for that taxation year.”;

(3) before the taxation year 2000, it reads as follows:

“**737.22.0.1.3.** For the purposes of the definition of “eligible employer” in the first paragraph of section 737.22.0.1, if a certificate that was issued to an eligible employer is revoked, the certificate is deemed to be null at the time the certificate is revoked or, if it is later, at the time the revocation becomes effective, and is deemed not to have been issued as of that time.”

**123.** (1) Section 737.22.0.2.2 of the Act is amended by replacing “within the hiring period of that employer” in subparagraph *a* of the third paragraph by “at the particular time”.

(2) Subsection 1 applies from the taxation year 2004. In addition, when subparagraph *a* of the third paragraph of section 737.22.0.2.2 of the Act applies before the taxation year 2004, it reads as if “within the hiring period of that employer” was replaced by “before 13 June 2003”.

**124.** (1) Section 737.22.0.3 of the Act is amended

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

“**737.22.0.3.** An individual who, at any time, holds employment as a foreign specialist with an eligible employer may deduct, in computing the individual’s taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula”;

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

“*i.* if the eligible employer is a corporation to which subparagraph *iii* of paragraph *a* of section 771.12 applies and the individual entered into the individual’s employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%”;

(3) by inserting the following subparagraph after subparagraph *i* of subparagraph *a* of the second paragraph:

“i.1. if the eligible employer is a corporation to which subparagraph iii of paragraph *a* of section 771.12 applies or that is described in paragraph *f* of the definition of “eligible employer” in the first paragraph of section 737.22.0.1 and the individual entered into the individual’s employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of “specialized activity period” in the first paragraph of section 737.22.0.1,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and”;

(4) by replacing subparagraph ii of subparagraph *a* of the second paragraph by the following subparagraph:

“ii. in any other case, 100%.”;

(5) by replacing subparagraphs *b* and *c* of the second paragraph by the following subparagraphs:

“(b) B is the portion of the individual’s eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

“(c) C is the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign specialist during that specified period of the individual.”

(2) Subsection 1 applies from the taxation year 2004.

**125.** (1) Section 737.22.0.4 of the Act is amended

(1) by replacing “in the individual’s eligible income for the year, in relation to an employment” and “in respect of that employment” in paragraphs *c* and *d* by “in the portion of the individual’s eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual’s specified periods, in relation to that employment” and “in respect of that period”, respectively;

(2) by replacing “in the individual’s specialized activity period” and “in respect of that employment” in subparagraphs i to iii of paragraph *e* by “in any

of the individual's specified periods" and "in respect of that period", respectively.

(2) Subsection 1 applies from the taxation year 2004.

**126.** (1) The heading of Chapter I of Title VII.3.2 of Book IV of Part I of the Act is replaced by the following heading:

“INTERPRETATION AND GENERAL”.

(2) Subsection 1 has effect from 1 January 2004.

**127.** (1) Section 737.22.0.5 of the Act is amended, in the first paragraph,

(1) by adding the following paragraph after paragraph *b* of the definition of “eligible activity period”:

“(c) where the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, the last day of the five-year period that begins,

i. unless subparagraph ii applies, on the day on which the individual first begins to perform the duties of an employment for which the individual may deduct an amount in computing the individual's taxable income for a taxation year under any of the sections mentioned in the third paragraph of section 737.19.2, or could so deduct such an amount if an employer had not failed to apply, in respect of the individual, for a qualification certificate or a certificate referred to in any of the sections mentioned in subparagraph ii of paragraph *a* of section 737.20, or

ii. if the individual began to perform the duties of the employment referred to in subparagraph i under a contract of employment entered into with a particular corporation or partnership operating an international financial centre established by the individual and if the individual was resident in Canada immediately before the contract of employment was entered into and immediately before the individual took up that employment, on the day, determined without reference to paragraph *a* of section 8, on which the individual becomes resident in Canada to work on the establishment of that centre;”;

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

““specified period” of an individual in relation to an employment held by the individual with an eligible employer means

(*a*) where the individual entered into the individual's employment contract with the eligible employer after 30 March 2004, any part of the individual's eligible activity period in relation to that employment that is included in any of the five years of the period described in paragraph *c* of the definition of “eligible activity period”; and

(b) in any other case, the individual's eligible activity period in relation to that employment;"

(2) Subsection 1 applies from the taxation year 2004.

**128.** (1) Section 737.22.0.6.2 of the Act is amended by replacing "before 13 June 2003" in subparagraph *a* of the third paragraph by "at the particular time".

(2) Subsection 1 applies from the taxation year 2004.

**129.** (1) Section 737.22.0.7 of the Act is amended

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

**"737.22.0.7.** An individual who, at any time, holds employment as a foreign professor with an eligible employer may deduct, in computing the individual's taxable income for a taxation year, an amount not greater than the aggregate of all amounts each of which is determined, in respect of a specified period of the individual in relation to that employment, by the formula";

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

"i. if the individual entered into the individual's employment contract with the eligible employer between 12 June 2003 and 31 March 2004, or entered into the contract before 13 June 2003 but began to perform the duties of that employment after 1 September 2003, 75%,";

(3) by inserting the following subparagraph after subparagraph *i* of subparagraph *a* of the second paragraph:

"i.1. if the individual entered into the individual's employment contract with the eligible employer after 30 March 2004,

(1) 100%, if that specified period of the individual is included in the first or second year of the period described in paragraph *c* of the definition of "eligible activity period" in the first paragraph of section 737.22.0.5,

(2) 75%, if that specified period of the individual is included in the third year of the period described in that paragraph *c*,

(3) 50%, if that specified period of the individual is included in the fourth year of the period described in that paragraph *c*, or

(4) 25%, if that specified period of the individual is included in the fifth year of the period described in that paragraph *c*, and";



(4) by replacing subparagraph ii of subparagraph *a* of the second paragraph by the following subparagraph:

“ii. in any other case, 100%;”;

(5) by replacing subparagraphs *b* and *c* of the second paragraph by the following subparagraphs:

“(b) B is the portion of the individual’s eligible income for the year, in relation to that employment, that is certified by the eligible employer in prescribed manner and that may reasonably be attributed to that specified period of the individual; and

“(c) C is the aggregate of all amounts that the individual may deduct in computing the individual’s income for the year under Chapter III of Title II of Book III and that may reasonably be attributed to the individual’s employment as a foreign professor during that specified period of the individual.”

(2) Subsection 1 applies from the taxation year 2004.

**130.** (1) Section 737.22.0.8 of the Act is amended

(1) by replacing “in the individual’s eligible income for the year, in relation to an employment” and “in respect of that employment” in paragraphs *c* and *d* by “in the portion of the individual’s eligible income for the year, in relation to an employment, that may reasonably be attributed to any of the individual’s specified periods, in relation to that employment” and “in respect of that period”, respectively;

(2) by replacing “in the individual’s eligible activity period” and “in respect of that employment” in subparagraphs i to iii of paragraph *e* by “in any of the individual’s specified periods” and “in respect of that period”, respectively.

(2) Subsection 1 applies from the taxation year 2004.

**131.** (1) The heading of Chapter I of Title VII.6 of Book IV of Part I of the Act is replaced by the following heading:

“INTERPRETATION AND GENERAL”.

(2) Subsection 1 has effect from 1 January 2004.

**132.** (1) The Act is amended by inserting the following section after section 737.27:

“**737.27.1.** If an individual, in respect of whom the Minister of Transport issued a certificate certifying that the individual was an eligible seaman for a taxation year, acquired, at a particular time of that year that is included in a period specified in the certificate, a right to a security, under an agreement

referred to in section 48, from the eligible shipowner whose name appears on the certificate or from a person with whom the eligible shipowner is not dealing at arm's length and, at a later time, the individual is deemed to receive a benefit in a particular taxation year because of the application of any of sections 49 and 50 to 52.1 in respect of the security, or the transfer or any other disposition of the rights under the agreement, the following rules apply for the purpose of determining the amount that the individual may deduct under section 737.28 in computing the individual's taxable income for the particular year, in relation to the amount of that benefit:

(a) section 737.28 is to be read as if "for that taxation year" was replaced by "for the taxation year that includes the particular time to which the portion of section 737.27.1 before paragraph *a* refers"; and

(b) such a benefit is considered to be included in the amount of salaries or wages received by the individual in the particular year from the eligible shipowner."

(2) Subsection 1 applies from the taxation year 2004.

**133.** (1) Section 750.1 of the Act, amended by section 146 of chapter 1 of the statutes of 2005 and by section 92 of chapter 23 of the statutes of 2005, is again amended, in the portion before paragraph *a*,

(1) by replacing "752.0.0.1, 752.0.1" by "752.0.0.1, 752.0.0.4 to 752.0.0.6, 752.0.1";

(2) by striking out "752.0.15,".

(2) Paragraph 1 of subsection 1 applies from the taxation year 2005.

(3) Paragraph 2 of subsection 1 applies from the taxation year 2006.

**134.** (1) Section 750.2 of the Act, amended by section 147 of chapter 1 of the statutes of 2005, is again amended, in the third paragraph,

(1) by replacing "\$2,550, \$2,765 and \$6,275" in subparagraph *c* by "\$2,550 and \$2,765";

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

"(f) the amount of \$2,250 mentioned in section 752.0.14."

(2) Paragraph 1 of subsection 1 applies from the taxation year 2006.

(3) Paragraph 2 of subsection 1 applies from the taxation year 2007.

**135.** (1) Section 752.0.0.1 of the Act, enacted by section 150 of chapter 1 of the statutes of 2005, is amended

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

**“752.0.0.1.** Subject to section 752.0.0.3, an individual may deduct from the individual’s tax otherwise payable for a taxation year under this Part an amount equal to the amount obtained by multiplying the percentage specified in section 750.1 for the year by the total of \$6,275 and the complementary amount for the year.”;

(2) by inserting the following subparagraphs after subparagraph *a* of the second paragraph:

“(a.1) the aggregate of all amounts each of which is an amount payable by the individual for the year, under the Act respecting parental insurance (chapter A-29.011), as an employee’s premium or as a premium of a person to whom section 51 of that Act applies;

“(a.2) an amount equal to the product obtained by multiplying the amount payable by the individual for the year as a premium on the individual’s business income under the Act respecting parental insurance by the proportion that the premium rate referred to in subparagraph 1 of the first paragraph of section 6 of that Act is of the premium rate referred to in subparagraph 3 of that paragraph;”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 2005.

(3) Paragraph 2 of subsection 1 applies from the taxation year 2006.

**136.** (1) Section 752.0.0.2 of the Act, enacted by section 150 of chapter 1 of the statutes of 2005, is amended

(1) by replacing “as a premium referred to in subparagraph *a*, or a contribution referred to in subparagraph *b*,” in paragraph *a* by “as a premium or contribution referred to in any of subparagraphs *a*, *a.1* and *b*”;

(2) by replacing “in subparagraph *c*” in paragraph *b* by “in subparagraph *a.2* or *c*”.

(2) Subsection 1 applies from the taxation year 2006.

**137.** (1) The Act is amended by inserting the following sections after section 752.0.0.2, enacted by section 150 of chapter 1 of the statutes of 2005:

**“752.0.0.3.** If an individual is resident in Québec on the last day of a taxation year and is the beneficiary of a covered benefit attributable to that year, the total provided for in the first paragraph of section 752.0.0.1 that would otherwise be taken into account in computing the amount deductible by the individual for the year, under section 752.0.0.1, shall be reduced by the aggregate of all amounts each of which is an amount determined for the year under any of sections 752.0.0.4 to 752.0.0.6.

In the first paragraph and sections 752.0.0.4 to 752.0.0.6, “covered benefit” attributable to a taxation year means an amount that is an income replacement indemnity, or a compensation for the loss of financial support, determined in that year under a public compensation plan and established on the basis of net income following an accident, employment injury or death or in order to prevent bodily injury, other than

(a) an amount that is attributable to a period preceding the year;

(b) an amount that is the net salary or wages paid by an employer, in accordance with the Act respecting industrial accidents and occupational diseases (chapter A-3.001), for each day or part of a day when a worker must be absent from work to receive care or undergo medical examinations in connection with the worker’s injury, or to take part in a personal rehabilitation program; or

(c) an amount that replaces income described in paragraph *e* of section 725.

For the purposes of the first paragraph, the following rules apply:

(a) if an individual dies or ceases to be resident in Canada in a taxation year, the last day of the individual’s taxation year is deemed to be the day on which the individual died or the last day on which the individual was resident in Canada, as the case may be; and

(b) the aggregate of all amounts each of which is an amount determined for a taxation year under any of sections 752.0.0.4 to 752.0.0.6 shall not exceed the total of the amounts in dollars that are referred to in section 752.0.0.1 and that are applicable for the year, with reference to section 750.2.

This section does not apply in respect of an individual’s separate fiscal return filed under the second paragraph of section 429 or section 681 or 1003.

**“752.0.0.4.** If section 752.0.0.3 applies to an individual in respect of a covered benefit attributable to a taxation year and the amount of which is determined by the Commission de la santé et de la sécurité du travail, there shall be included in computing, for that year, the aggregate referred to in the first paragraph of section 752.0.0.3, an amount equal to the total of

(a) in respect of a covered benefit attributable to the year and paid by an employer for the first 14 full days following the beginning of the individual’s disability, the lesser of the amounts determined by the following formulas:

i.  $A \times B$ , and

ii.  $0.90 \times C/D \times E$ ; and

(b) in respect of a covered benefit attributable to the year, other than the covered benefit referred to in subparagraph *a*, for each day of the year for

which the covered benefit is determined, in this section referred to as the “particular day”, the lesser of the amounts determined for the particular day by the following formulas:

i.  $[(0.90 \times A \times F/G) - (A \times H/G)] \times (1 - I)$ , and

ii.  $[(0.90 \times J/G) - K] \times (1 - I)$ .

In the formulas in the first paragraph,

(a) A is the percentage obtained by dividing the percentage specified in paragraph *a* of section 750 that is applicable for the year by the percentage specified in section 750.1 for the year;

(b) B is the total of the covered benefits attributable to the year and paid by the employer for the first 14 full days following the beginning of the individual’s disability;

(c) C is the amount determined under the third paragraph of section 1015.3 that is applicable for the year;

(d) D is the number of days in the year, excluding Saturdays and Sundays;

(e) E is the number of days in the year, excluding Saturdays and Sundays, between the day on which the individual’s disability begins and the day on which the individual returns to work, but without exceeding 14 days;

(f) F is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan (chapter R-9), the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(g) G is the number of days in the year;

(h) H is the annual gross revenue from a suitable employment or employment held, for the particular day;

(i) I is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(j) J is the total of the amounts mentioned in subparagraph *b* of the third paragraph of section 750.2 and determined under the first paragraph of that section, that are applicable for the year, to the extent that that total is used by the Commission de la santé et de la sécurité du travail to establish the weighted net income for the purpose of computing the covered benefit attributable to the year; and

(k) K is the lesser of

- i. the amount obtained by multiplying the percentage determined for the year under subparagraph *a* by the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and
- ii. the amount obtained by dividing the recognized amounts used to establish the weighted net income from a suitable employment or employment held, for the particular day, by the number of days in the year.

For the purposes of subparagraph *h* and subparagraph *i* of subparagraph *k* of the second paragraph, “annual gross revenue from a suitable employment or employment held”, for a particular day, means the annual gross revenue relating to a suitable employment or employment held that is taken into account in determining, for the particular day, the covered benefit attributable to the year, including the annual gross revenue from any benefit paid to the individual, because of a termination of employment, under an Act of Québec or of any other jurisdiction, other than the Act respecting industrial accidents and occupational diseases (chapter A-3.001), that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year following that for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

For the purposes of subparagraph *ii* of subparagraph *k* of the second paragraph, “recognized amounts used to establish the weighted net income from a suitable employment or employment held”, for a particular day, means the total of the amounts mentioned in subparagraph *b* of the third paragraph of section 750.2 and determined under the first paragraph of that section, that are applicable for the year, to the extent that that total is used by the Commission de la santé et de la sécurité du travail to establish the weighted net income from a suitable employment or employment held, for the particular day.

**“752.0.0.5.** If section 752.0.0.3 applies to an individual in respect of a covered benefit attributable to a taxation year and the amount of which is determined by the Société de l’assurance automobile du Québec, there shall be included in computing for that year the aggregate referred to in the first paragraph of section 752.0.0.3, an amount equal to the aggregate of all amounts each of which is, for each day of the year for which the covered benefit is determined, in this section referred to as the “particular day”, equal to the lesser of the amounts determined for the particular day by the following formulas:

(a)  $\{[(0.90 \times A \times B/C) - (D \times A \times E/C)] \times (1 - F)\} - G/C$ ; and

$$(b) \{[(0.90 \times H/C) - (D \times I)] \times (1 - F)\} - G/C.$$

In the formulas in the first paragraph,

(a) A is the percentage obtained by dividing the percentage specified in paragraph *a* of section 750 that is applicable for the year by the percentage specified in section 750.1 for the year;

(b) B is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan (chapter R-9), the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(c) C is the number of days in the year;

(d) D is,

i. if only part of the net income from an employment held is used to reduce, for the particular day, the covered benefit attributable to the year, the percentage attributed under the public compensation plan in respect of that net income, and

ii. in any other case, 100%;

(e) E is the annual gross revenue from a suitable employment or employment held, for the particular day;

(f) F is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(g) G is the amount obtained by multiplying the percentage determined for the year under subparagraph *a* by the amount that is payable for the year as an old age pension or as a disability benefit payable under a plan established by a jurisdiction, other than Québec, that is equivalent to the plan established under the Act respecting the Québec Pension Plan, and that is, in determining, for the particular day, the covered benefit attributable to the year, used by the Société de l'assurance automobile du Québec to reduce the amount of that covered benefit;

(h) H is the total of the first amount mentioned in subparagraph *b* of the third paragraph of section 750.2 and determined under the first paragraph of that section, that is applicable for the year and the amounts estimated by the Société de l'assurance automobile du Québec for the year, as an employee's premium under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23), as an employee's contribution under the Act respecting the Québec Pension Plan and as an employee's premium under the Act respecting parental insurance (chapter A-29.011), to the extent that that total is used by

the Société to establish the weighted net income for the purpose of computing, for the particular day, the covered benefit attributable to the year; and

(i) I is the lesser of

i. the amount obtained by multiplying the percentage determined for the year under subparagraph *a* by the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by dividing the recognized amounts used to establish the weighted net income from a suitable employment or employment held, for the particular day, by the number of days in the year.

For the purposes of subparagraph *e* and subparagraph *i* of subparagraph *i* of the second paragraph, “annual gross revenue from a suitable employment or employment held”, for a particular day, means the annual gross revenue relating to a suitable employment or employment held that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

For the purposes of subparagraph *ii* of subparagraph *i* of the second paragraph, “recognized amounts used to establish the weighted net income from a suitable employment or employment held”, for a particular day, means the total of the first amount mentioned in subparagraph *b* of the third paragraph of section 750.2 and determined under the first paragraph of that section, that is applicable for the year and the amounts estimated by the Société de l’assurance automobile du Québec for the year, as an employee’s premium under the Employment Insurance Act, as an employee’s contribution under the Act respecting the Québec Pension Plan and as an employee’s premium under the Act respecting parental insurance, to the extent that that total is used by the Société to establish the weighted net income from a suitable employment or employment held, for the particular day.

**“752.0.0.6.** If section 752.0.0.3 applies to an individual in respect of a covered benefit attributable to a taxation year and the amount of which is determined by an entity, other than the Commission de la santé et de la sécurité du travail and the Société de l’assurance automobile du Québec, there shall be included in computing, for that year, the aggregate referred to in the first paragraph of section 752.0.0.3, an amount equal to the lesser of the amounts determined by the following formulas:

(a)  $A \times B$ ; and



(b)  $0.90 \times C/D \times E$ .

In the formulas in the first paragraph,

(a) A is the percentage obtained by dividing the percentage specified in paragraph *a* of section 750 that is applicable for the year by the percentage specified in section 750.1 for the year;

(b) B is the total of the covered benefits attributable to the year and determined by the entity referred to in the first paragraph;

(c) C is the total of the amounts mentioned in subparagraph *b* of the third paragraph of section 750.2 and determined under the first paragraph of that section, that are applicable for the year;

(d) D is the number of days in the year; and

(e) E is the number of days in the year for which the covered benefits attributable to the year are determined by the entity referred to in the first paragraph.”

(2) Subsection 1 applies from the taxation year 2005. However, when section 752.0.0.5 of the Act applies to the taxation year 2005, it reads as if

(1) “under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23), as an employee’s contribution under the Act respecting the Québec Pension Plan and as an employee’s premium under the Act respecting parental insurance (chapter A-29.011)” in subparagraph *h* of the second paragraph was replaced by “under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23) and as an employee’s contribution under the Act respecting the Québec Pension Plan”; and

(2) “under the Employment Insurance Act, as an employee’s contribution under the Act respecting the Québec Pension Plan and as an employee’s premium under the Act respecting parental insurance” in the fourth paragraph was replaced by “under the Employment Insurance Act and as an employee’s contribution under the Act respecting the Québec Pension Plan”.

**138.** (1) Section 752.0.1 of the Act, amended by section 151 of chapter 1 of the statutes of 2005, is again amended

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

“(b) \$2,765 for a person who is 18 years of age or over during the year in respect of whom the individual is entitled, for the year, to a deduction under paragraph *d* and in respect of whom the individual does not make any deduction for the year under paragraph *f* if, at the end of the year or on the date of the individual’s death, the individual has no child in respect of whom the individual or the individual’s eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, is entitled to an amount deemed under

section 1029.8.61.18, for the last month of the year, to be an overpayment of the individual's tax payable and if the individual designates that person as a first child for the year, in prescribed form;”;

(2) by replacing “paragraph *b*” in paragraph *c* by “paragraph *b* or *f*”;

(3) by striking out “, other than a person in respect of whom the individual is entitled, for the year, to a deduction under paragraph *g*,” in paragraph *d*;

(4) by striking out paragraph *g*.

(2) Paragraphs 1 and 2 of subsection 1 apply from the taxation year 2005.

(3) Paragraphs 3 and 4 of subsection 1 apply from the taxation year 2006.

**139.** (1) Section 752.0.1.1 of the Act, enacted by section 152 of chapter 1 of the statutes of 2005, is amended by replacing “any of paragraphs *b*, *c*, *e*, *f* and *g* of that section” by “any of paragraphs *b*, *c*, *e* and *f* of that section”.

(2) Subsection 1 applies from the taxation year 2006.

**140.** (1) Section 752.0.2.1 of the Act is amended

(1) by replacing the portion before paragraph *a* in the French text by the following:

“**752.0.2.1.** Un programme d’enseignement auquel le paragraphe *d* de l’article 752.0.1 fait référence désigne l’un des programmes suivants en vertu duquel l’élève qui y participe doit consacrer hebdomadairement au moins neuf heures à des cours ou à des travaux prévus à ce programme.”;

(2) by adding the following paragraph:

“If the student is a person who is deemed to be pursuing studies on a full-time basis under section 752.0.2.2, the first paragraph is to be read as if “spend not less than nine hours per week on courses or work in the program” was replaced by “receive a minimum of 20 hours of instruction per month”.”

(2) Subsection 1 applies from the taxation year 2005.

**141.** (1) The Act is amended by inserting the following section after section 752.0.2.1:

“**752.0.2.2.** For the purposes of paragraph *d* of section 752.0.1, a person is deemed to be pursuing studies on a full-time basis during a taxation year if the person has a major functional deficiency within the meaning of the Regulation respecting financial assistance for education expenses made by Order in Council 344-2004 dated 7 April 2004, as amended, and the person, for this reason, pursues studies on a part-time basis during that taxation year.”

(2) Subsection 1 applies from the taxation year 2005.

**142.** (1) Section 752.0.10 of the Act is amended, in paragraph *f*,

(1) by replacing “of the individual’s eligibility period” and “in respect of that employment” in subparagraph ii by “of a specified period of the individual” and “in respect of that period”, respectively;

(2) by replacing “of the individual’s reference period, established under section 69” and “of section 65 of that Act” in subparagraph iii by “of a specified period of the individual, established under the fourth paragraph of section 65” and “of that section 65 in respect of that period”, respectively.

(2) Subsection 1 applies from the taxation year 2004. However, when subparagraph iii of paragraph *f* of section 752.0.10 of the Act applies to the taxation year 2003, it reads as if “in respect of that employment” was added after “of section 65 of that Act”.

**143.** (1) Section 752.0.10.10.3 of the Act is amended by replacing “section 752.0.10.10.2,” in paragraph *a* by “sections 752.0.10.10.2, 985.1 to 985.22, 985.24 and 985.25.”

(2) Subsection 1 applies in respect of a death that occurs after 31 December 1998.

**144.** (1) Section 752.0.10.10.5 of the Act is amended by replacing “section 752.0.10.10.4,” in paragraph *a* by “sections 752.0.10.10.4, 985.1 to 985.22, 985.24 and 985.25.”

(2) Subsection 1 applies in respect of a death that occurs after 31 December 1998.

**145.** (1) Section 752.0.11 of the Act is amended by replacing subparagraph *b* of the second paragraph by the following subparagraph:

“(b) B is the aggregate of the medical expenses described in section 752.0.11.1 that

- i. are proven by a receipt filed with the Minister,
- ii. have not already been included by the individual or any other person in computing a determined amount, for the purposes of this section or section 358.0.1 or 1029.8.118, in respect of a preceding taxation year,
- iii. are not included by any other person in computing a determined amount, for the purposes of section 358.0.1, in respect of any taxation year, and

iv. were paid by either the individual or the individual's legal representative, or by a person who is the individual's spouse during the year or on the date on which the medical expenses were paid,

(1) within any period of 12 months ending in the year, or

(2) if the medical expenses were paid in respect of a person, including the individual, who died in the year, within any period of 24 months that includes the day of the person's death; and”.

(2) Subsection 1 applies from the taxation year 2004. In addition, when subparagraph ii of subparagraph *b* of the second paragraph of section 752.0.11 of the Act applies to the taxation years 2001 to 2003, it reads as follows:

“ii. if the medical expenses were paid in respect of a person, including the individual, who died in the year, within any period of 24 months that includes the day of the person's death; and”.

**146.** (1) Section 752.0.11.1 of the Act, amended by section 161 of chapter 1 of the statutes of 2005, is again amended

(1) by replacing the portion before paragraph *a* in the French text by the following:

“**752.0.11.1.** Sous réserve de l'article 752.0.11.1.3, les frais médicaux auxquels le paragraphe *b* du deuxième alinéa de l'article 752.0.11 fait référence sont les montants payés:”;

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

“(d.1) for hyperbaric oxygen therapy sessions provided to a person with a severe and prolonged neurological disorder in respect of whom, because of the person's severe and prolonged mental or physical impairment, subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the taxation year in which the expense was incurred;”;

(3) by replacing “an amount would, but for paragraph *d* of section 752.0.14, be deductible under section 752.0.14 or 752.0.15 in computing an individual's tax payable under this Part” in paragraph *m* by “subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply”;

(4) by replacing “which an amount may be deducted under section 752.0.14 or 752.0.15 in computing an individual's tax payable under this Part” in the portion of paragraph *m.1* before subparagraph *i* by “whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply” and by replacing “an amount is deductible under section 752.0.14 or 752.0.15 in computing an individual's tax payable under this Part” in the portion of paragraph *m.2* before subparagraph *i* by “subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply”;

(5) by replacing “any of sections 78.8, 157.18 and 358.0.1” in subparagraph *i* of paragraphs *m.1* and *m.2* by “section 358.0.1”;

(6) by replacing “because of the person’s impairment an amount is deductible under section 752.0.14 or 752.0.15 in computing an individual’s tax payable under this Part” in the portion of paragraph *o.7* before subparagraph *i* by “subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply”;

(7) by replacing “medical practitioner” in paragraph *o.8* by “practitioner”.

(2) Paragraph 2 of subsection 1 applies in respect of an amount paid after 21 April 2005. However, when paragraph *d.1* of section 752.0.11.1 of the Act applies before 1 January 2006, it reads as if “subparagraphs *a* to *c* of the first paragraph” was replaced by “paragraphs *a* to *c*”.

(3) Paragraphs 3, 4 and 6 of subsection 1 apply from the taxation year 2006.

(4) Paragraph 5 of subsection 1 applies from the taxation year 2004.

**147.** (1) Section 752.0.11.1.3 of the Act is replaced by the following section:

**“752.0.11.1.3.** The medical expenses referred to in section 752.0.11.1 do not include

(a) the expenses related to artificial insemination or *in vitro* fertilization treatments undergone by an individual or the individual’s spouse in order to enable the individual and the individual’s spouse to become parents;

(b) the expenses paid for medical, paramedical or dental services provided for purely cosmetic purposes; and

(c) the transportation, travel or lodging expenses paid for medical, paramedical or dental services provided for purely cosmetic purposes.”

(2) Subsection 1, except when it enacts paragraph *b* of section 752.0.11.1.3 of the Act, applies in respect of expenses paid after 21 April 2005.

(3) Subsection 1, when it enacts paragraph *b* of section 752.0.11.1.3 of the Act, applies in respect of a service provided under an agreement entered into after 21 April 2005.

**148.** (1) The Act is amended by inserting the following section after section 752.0.11.3:

**“752.0.11.4.** For the purposes of subparagraph *b* of the second paragraph of section 752.0.11, the aggregate of all amounts each of which is an amount that an individual includes in computing the aggregate described in

that subparagraph *b* for a taxation year, that is attributable to the cost of eyeglass frames acquired in the period referred to in subparagraph *i* or *ii* of that subparagraph *b*, determined in respect of that year, and that is paid for the benefit of a particular person who is the individual, the individual's spouse or a dependant of the individual referred to in section 752.0.12, may not exceed \$200."

(2) Subsection 1 applies in respect of expenses paid after 21 April 2005 under an agreement entered into after that date.

**149.** (1) Section 752.0.13.1 of the Act is amended by replacing the second paragraph by the following paragraph:

"The travel and lodging expenses referred to in the first paragraph do not include

(a) the expenses related to artificial insemination or *in vitro* fertilization treatments undergone by an individual or the individual's spouse in order to enable the individual and the individual's spouse to become parents; and

(b) the transportation, travel or lodging expenses paid for medical, paramedical or dental services provided for purely cosmetic purposes."

(2) Subsection 1 applies in respect of expenses paid after 21 April 2005.

**150.** (1) Section 752.0.14 of the Act, amended by section 165 of chapter 1 of the statutes of 2005, is again amended

(1) by replacing "\$2,200" in the portion before paragraph *a* by "\$2,250";

(2) by adding the following paragraph:

"Despite the first paragraph, if the individual is a person in respect of whom another individual receives, in the year, an amount to which subparagraph *b* of the second paragraph of section 1029.8.61.18 refers, the amount in dollars that, with reference to section 750.2, would otherwise be deductible under that first paragraph for the year is to be replaced by an amount equal to the proportion of that amount that the number of months in the year in respect of which such an amount is not received in respect of the individual is of 12."

(2) Subsection 1 applies from the taxation year 2006. However, when the second paragraph of section 752.0.14 of the Act applies to the taxation year 2006, it reads as follows:

"Despite the first paragraph, if the individual is a person in respect of whom another individual receives, in the year, an amount to which subparagraph *b* of the second paragraph of section 1029.8.61.18 refers, the amount of \$2,250 is to be replaced by an amount equal to the proportion of that amount that the number of months in the year in respect of which such an amount is not received in respect of the individual is of 12."

**151.** (1) Sections 752.0.15 to 752.0.16 of the Act are repealed.

(2) Subsection 1 applies from the taxation year 2006.

**152.** (1) Section 752.0.17 of the Act, amended by section 168 of chapter 1 of the statutes of 2005, is again amended

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

**“752.0.17.** For the purposes of sections 42.0.1 and 752.0.11 to 752.0.14 and this section,”;

(2) by replacing “any of sections 752.0.14, 752.0.15 and 776.41.5” in the third paragraph by “section 752.0.14 or 776.41.5”.

(2) Subsection 1 applies from the taxation year 2006.

**153.** (1) Section 752.0.18 of the Act is replaced by the following section:

**“752.0.18.** For the purposes of sections 358.0.1, 752.0.11 to 752.0.14 and 1029.8.67 to 1029.8.81, “practitioner” means

(*a*) a person practising a profession within the scope of which health-related care and treatments are provided to individuals, unless the person is practising a profession described in the second paragraph, in which case, a person practising such a profession in respect of the services mentioned in that paragraph, and who is authorized to practise such a profession in accordance with

i. the laws of the jurisdiction in which services are rendered, in the case of services rendered by such a person to an individual,

ii. the laws of the jurisdiction in which an individual resides or of a province, in the case of a certificate issued by such a person in respect of that individual, or

iii. the laws of the jurisdiction in which an individual resides, of a province or of the jurisdiction in which the property is provided, in the case of a prescription issued by such a person for property to be provided to or for the use of the individual;

(*b*) a person practising the profession of homeopath, naturopath, osteopath or phytotherapist, in respect of the services the person provides in that capacity;

(*c*) a person practising the profession of psychoanalyst or sexologist, in respect of therapy services; and

(d) a person practising the profession of psychotherapist, in respect of therapy and rehabilitation services.

The professions to which subparagraph *a* of the first paragraph refers are

(a) the profession of psychologist, in respect of therapy and rehabilitation services;

(b) the profession of social worker, in respect of psychotherapy services and rehabilitation services for accident victims or persons suffering from an illness or disability; and

(c) the profession of vocational guidance counsellor or psychoeducator, in respect of psychotherapy services, if the person practising the profession is duly certified as a psychotherapist by the Ordre des conseillers et conseillères d'orientation et des psychoéducateurs et psychoéducatrices du Québec.

For the purposes of sections 752.0.11 to 752.0.14 and 1029.8.67 to 1029.8.81, a reference to an audiologist, dentist, occupational therapist, nurse, physician, optometrist, speech-language pathologist, pharmacist or psychologist is a reference to a person authorized to practise as such in accordance with any of subparagraphs i to iii of subparagraph *a* of the first paragraph.”

(2) Subsection 1 applies from the taxation year 2005. However, when section 752.0.18 of the Act applies to the taxation year 2005, it reads as if “752.0.14” in the portion of the first paragraph before subparagraph *a* and in the third paragraph was replaced by “752.0.16”.

(3) In addition, when section 752.0.18 of the Act applies to the taxation year 2004, the portion of the first paragraph before subparagraph *a* reads as if “358.0.1,” was inserted after “for the purposes of sections”.

**154.** (1) Section 752.0.22 of the Act, amended by section 174 of chapter 1 of the statutes of 2005, is again amended by striking out “to 752.0.16”.

(2) Subsection 1 applies from the taxation year 2006.

**155.** (1) The Act is amended by inserting the following section after section 752.0.23:

**“752.0.23.1.** For the purposes of subparagraph *b* of the third paragraph of section 752.0.0.3, if an individual to whom section 752.0.0.3 applies for a taxation year is referred to in the second paragraph of section 22, no amount in dollars referred to in section 752.0.0.1 shall exceed that portion of the amount that is the proportion determined under that second paragraph in respect of the individual for the year.”

(2) Subsection 1 applies from the taxation year 2005.



**156.** (1) Section 752.0.24 of the Act, amended by section 176 of chapter 1 of the statutes of 2005, is again amended by replacing “752.0.7, 752.0.14 and 752.0.15” in subparagraph ii of subparagraph *a* of the first paragraph by “752.0.7 and 752.0.14”.

(2) Subsection 1 applies from the taxation year 2006.

**157.** (1) The Act is amended by inserting the following section after section 752.0.24:

**“752.0.24.1.** If an individual to whom section 752.0.0.3 applies for a taxation year is resident in Canada only during part of the year, the following rules apply:

(*a*) for the purposes of sections 752.0.0.4 to 752.0.0.6, there shall be taken into account, as a covered benefit attributable to the year, only an amount that can reasonably be considered wholly attributable to any period in the year throughout which the individual was resident in Canada; and

(*b*) for the purposes of subparagraph *b* of the third paragraph of section 752.0.0.3, no amount in dollars referred to in section 752.0.0.1 shall exceed the proportion of that amount that the number of days in any period of the year throughout which the individual was resident in Canada is of the number of days in the year.”

(2) Subsection 1 applies from the taxation year 2005.

**158.** (1) Section 752.0.25 of the Act, amended by section 177 of chapter 1 of the statutes of 2005, is again amended, in the second paragraph,

(1) by replacing “752.0.10, 752.0.11 to 752.0.13.1.1, 752.0.15 and 752.0.16” in subparagraph *a* by “752.0.10 and 752.0.11 to 752.0.13.1.1”;

(2) by striking out “752.0.15,” in subparagraph *b*.

(2) Paragraph 1 of subsection 1 applies from the taxation year 2006.

(3) Paragraph 2 of subsection 1 applies from the taxation year 2005.

**159.** (1) Section 752.0.27 of the Act, amended by section 179 of chapter 1 of the statutes of 2005, is again amended

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

“(a) in the case of an amount deductible for such a taxation year under sections 752.0.1 to 752.0.7, the individual shall deduct only the portion of that amount otherwise determined that is equal to the proportion that the number of days in that taxation year is of the number of days in the calendar year;

“(b) in the case of an amount that is deductible for such a taxation year under section 752.0.14, the amount shall be computed as if the particular amount that is mentioned in subparagraph *f* of the third paragraph of section 750.2 and determined under the first paragraph of that section and that would otherwise be applicable for such a taxation year, were replaced by an amount equal to the proportion of that particular amount that the number of days in that taxation year is of the number of days in the calendar year;”;

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

“(1) an amount shall be included in computing the aggregate referred to in any of subparagraphs *a*, *a.1*, *b* and *c* of the second paragraph of that section or in computing the amount referred to in subparagraph *a.2* of that paragraph only if it is reasonable to consider it as wholly attributable to such a taxation year, and”;

(3) by replacing “and *e* to *g*” in the portion of the second paragraph before subparagraph *a* by “, *e* and *f*”.

(2) Paragraph 1 of subsection 1, when it enacts subparagraph *a* of the first paragraph of section 752.0.27 of the Act, and paragraphs 2 and 3 of subsection 1 apply from the taxation year 2006.

(3) Paragraph 1 of subsection 1, when it enacts subparagraph *b* of the first paragraph of section 752.0.27 of the Act, applies from the taxation year 2007.

**160.** (1) The Act is amended by inserting the following section after section 752.0.27:

**“752.0.27.1.** If an individual becomes a bankrupt in a calendar year and section 752.0.0.3 applies in respect of the individual for each of the individual’s taxation years referred to in section 779 that end in the calendar year, the following rules apply:

(a) for the purposes of sections 752.0.0.4 to 752.0.0.6, there shall be taken into account, as a covered benefit attributable to any of those taxation years, only an amount that is wholly attributable to that taxation year; and

(b) for the purposes of subparagraph *b* of the third paragraph of section 752.0.0.3 in respect of such a year, no amount in dollars referred to in section 752.0.0.1 shall exceed the proportion of that amount that the number of days in that taxation year is of the number of days in the calendar year.”

(2) Subsection 1 applies from the taxation year 2005.

**161.** (1) The heading of Chapter II.1 of Title I of Book V of Part I of the Act is replaced by the following heading:

“TAX ADJUSTMENT RELATING TO CERTAIN RETROACTIVE PAYMENTS”.

(2) Subsection 1 applies from the taxation year 2004.

**162.** (1) Section 766.2 of the Act is replaced by the following section:

“**766.2.** An individual’s tax otherwise payable for a particular taxation year is to be adjusted in accordance with the second paragraph if

(a) the individual is not required to include, by reason of the second paragraph of section 312.5, an amount in computing the individual’s income for the particular taxation year;

(b) the individual is required to include, by reason of section 694.0.1, an amount in computing the individual’s taxable income for the particular taxation year; or

(c) the individual deducts, by reason of section 725.1.2, an amount in computing the individual’s taxable income, or the individual’s taxable income earned in Canada as determined under Part II, for the particular taxation year.

The adjustment to which the first paragraph refers is made in the following manner:

(a) the amount of the adjustment, in relation to the particular taxation year, is equal to the aggregate of all amounts each of which is the amount of the tax adjustment relating to the averaging, determined in respect of the individual, that is attributable to a preceding taxation year that is an eligible taxation year of the individual, hereinafter called the “taxation year to which the averaging applies”, to which an amount referred to in any of subparagraphs *a* to *c* of the first paragraph that the individual receives or pays in the particular taxation year relates, in whole or in part;

(b) if the amount of the adjustment, in relation to the particular taxation year, determined in accordance with subparagraph *a*, is greater than or equal to zero, that amount is an amount that the individual is required to add to the individual’s tax otherwise payable under this Part for that particular year; and

(c) if the amount of the adjustment, in relation to the particular taxation year, determined in accordance with subparagraph *a*, is less than zero, that amount expressed as a positive number is an amount that the individual may deduct from the individual’s tax otherwise payable under this Part for that particular year.

The amount of the tax adjustment relating to the averaging, determined in respect of the individual, that is attributable to a taxation year to which the averaging applies, for the purpose of determining the amount of the adjustment in relation to the particular taxation year, is equal to the amount determined by the formula

$$(A - B) + C + D - (E - F).$$

In the formula in the third paragraph,

(a) A is the total of the tax that would have been payable by the individual, for the taxation year to which the averaging applies, under this Part and, if the taxation year to which the averaging applies precedes the taxation year 1998, under Part I.1, as it read for that year, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for the taxation year to which the averaging applies;

(b) B is the total of the tax payable by the individual, for the taxation year to which the averaging applies, under this Part and, if the taxation year to which the averaging applies precedes the taxation year 1998, under Part I.1, as it read for that year;

(c) C is the aggregate of the amount by which the amount that a person, other than the individual, has deducted in computing the person's tax otherwise payable under section 752.0.15 for the taxation year to which the averaging applies, as it read before being repealed, in respect of that taxation year, exceeds the amount that the person could have deducted in computing the person's tax otherwise payable under section 752.0.15 for that year if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for the taxation year to which the averaging applies, and the following amount:

i. if the taxation year to which the averaging applies is subsequent to the taxation year 2002 and, in the case of the taxation year 2003 or 2004, the rules set out in Book V.2.1, as it read for that year, did not apply to the individual's eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, the amount by which the amount that the spouse has deducted in computing the spouse's tax otherwise payable for that year under section 776.41.5, exceeds the amount that the spouse could have deducted in computing the spouse's tax otherwise payable for that year under section 776.41.5, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year,

ii. if the taxation year to which the averaging applies is the taxation year 2003 or 2004 and the rules set out in Book V.2.1, as it read for that year, did apply to the individual's eligible spouse for the year, within the meaning of sections 776.41.1 to 776.41.4, the amount by which the amount that the spouse has deducted in computing the spouse's tax otherwise payable for that year under section 776.78, as it read for that year, exceeds the amount that the spouse could have deducted in computing the spouse's tax otherwise payable

for that year under section 776.78, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year,

iii. if the taxation year to which the averaging applies precedes the taxation year 2003 and the rules set out in Book V.2.1, as it read for that year, did apply to the individual's spouse for the year, the amount by which the amount that the spouse has deducted in computing the spouse's tax otherwise payable for that year under section 776.78, as it read for that year, exceeds the amount that the spouse could have deducted in computing the spouse's tax otherwise payable for that year under section 776.78, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year, and

iv. if the taxation year to which the averaging applies precedes the taxation year 2003 and subparagraph iii does not apply, the amount by which the amount that the individual's spouse has deducted in computing the spouse's tax otherwise payable for that year under section 752.0.19, as it read for that year, exceeds the amount that the spouse could have deducted in computing the spouse's tax otherwise payable for that year under section 752.0.19, if the portion of each amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies had been included or deducted in computing the individual's taxable income for that year;

(d) D is the amount by which the amount that would be determined under subparagraph *a* for the taxation year to which the averaging applies, if the portion of each amount subject to an averaging mechanism, to which subparagraph *a* refers, that relates to the taxation year to which the averaging applies was determined without taking into account the portion of the amounts referred to in the first paragraph of section 1029.8.50 that relates to the taxation year to which the averaging applies in respect of which the individual is deemed to have paid an amount to the Minister under section 1029.8.50 for the particular taxation year, exceeds the amount determined under subparagraph *a* for the taxation year to which the averaging applies;

(e) E is the aggregate of all amounts each of which is the amount of the tax adjustment relating to the averaging, determined in respect of the individual, that may reasonably be attributed to the taxation year to which the averaging applies and that is determined for a taxation year preceding the particular taxation year; and

(f) F is the aggregate of all amounts each of which is an amount determined under subparagraph *d*, in respect of the taxation year to which the averaging applies, for a taxation year preceding the particular taxation year.

For the purpose of determining any amount under the third and fourth paragraphs, the following rules apply:

(a) the proportion referred to in the second paragraph of section 22 for any taxation year to which the averaging applies is deemed to be equal to 1;

(b) if the individual was resident in Canada but outside Québec on the last day of a taxation year to which the averaging applies, the individual is deemed to have been resident in Québec on the last day of that year; and

(c) if the amount referred to in subparagraph *c* of the first paragraph includes the amount determined under the fourth paragraph of section 725.1.2, the latter amount is deemed to relate, in the same proportion, to each of the taxation years subsequent to the taxation year 1985 that precede the particular taxation year.

An amount that is not otherwise deducted in computing an individual's taxable income or tax payable under this Part for a taxation year to which the averaging applies, but that is deducted for the purpose of establishing the amount determined in respect of the individual under any of subparagraphs *a*, *c* and *d* of the fourth paragraph for that taxation year, is deemed, for the application of this Part to any subsequent taxation year, to have been deducted in computing the individual's taxable income or tax payable under this Part for the taxation year to which the averaging applies.

For the purposes of the fourth paragraph, "amount subject to an averaging mechanism", in relation to an individual for a taxation year, means an amount that is received or paid by the individual in the year and that is referred to in any of subparagraphs *a* to *c* of the first paragraph or an amount paid by the individual in the year and in respect of which the first paragraph of section 1029.8.50 applies, except, in respect of a taxation year to which the averaging applies and that ends before 1 January 2003, such an amount received or paid in a taxation year that ends before 1 January 2004."

(2) Subsection 1 applies from the taxation year 2004. However, when section 766.2 of the Act applies to the taxation years 2004 and 2005, the portion of subparagraph *c* of the fourth paragraph of that section before subparagraph *i* reads as if " , as it read before being repealed, in respect of that taxation year" was struck out.

**163.** (1) The Act is amended by inserting the following sections after section 766.2:

**"766.2.1.** If section 766.2 applies in respect of an amount referred to in subparagraph *a* or *c* of the first paragraph of section 766.2 that an individual receives in a particular taxation year and that relates, in whole or in part, to an individual's eligible taxation year, in this section referred to as the "affected taxation year", that is before the taxation year that precedes the particular taxation year, the individual shall add to the individual's tax otherwise payable under this Part for the particular taxation year, an amount equal to the aggregate

of all amounts each of which is equal to the amount of interest that would be computed, in respect of an affected taxation year, in accordance with the second paragraph of section 28 of the Act respecting the Ministère du Revenu (chapter M-31) for the period beginning on 1 May of the year following the affected taxation year and ending before the beginning of the particular taxation year, on the portion of the amount of the tax adjustment relating to the averaging that is attributable to the affected taxation year, determined in accordance with the third paragraph of section 766.2 in respect of the individual, that exceeds the amount determined under subparagraph *d* of the fourth paragraph of section 766.2, in respect of the individual and in relation to the affected taxation year, if that excess amount were a refund due by the Minister under a fiscal law.

**“766.2.2.** For the purposes of sections 766.2 and 766.2.1, “eligible taxation year” of an individual means a taxation year throughout which the individual was resident in Canada, other than a taxation year that ends in a calendar year in which the individual became a bankrupt or a taxation year included in the averaging period determined in respect of the individual for the purposes of Division II of Chapter II of Title I of Book V, as it read before being repealed.”

(2) Subsection 1 applies from the taxation year 2004.

**164.** (1) Section 766.3 of the Act is replaced by the following section:

**“766.3.** Sections 766.2 and 766.2.1 apply, for a taxation year, to an individual to whom Book II applies for that year.

In addition, an individual to whom the second paragraph of any of sections 22, 25 and 26 applies may add or deduct in computing the individual’s tax otherwise payable for a taxation year under section 766.2 or 766.2.1 only the portion of the amount determined under section 766.2 or 766.2.1 that is the proportion referred to in the second paragraph of section 22, 25 or 26 that is applicable in respect of the individual for the year.”

(2) Subsection 1 applies from the taxation year 2004.

**165.** (1) Chapter II.2 of Title I of Book V of Part I of the Act is repealed.

(2) Subsection 1 applies from the taxation year 2004.

**166.** (1) Section 766.5 of the Act is amended by replacing “an amount is deductible under section 752.0.14 in computing a taxpayer’s tax payable” in paragraph *b* of the definition of “excluded amount” by “subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply”.

(2) Subsection 1 applies from the taxation year 2006. In addition, when paragraph *b* of the definition of “excluded amount” in section 766.5 of the Act

applies from the taxation year 2000 and before the taxation year 2006, it reads as if “section 752.0.14” was replaced by “section 752.0.14 or 752.0.15”.

**167.** (1) The Act is amended by inserting the following after section 766.7:

**“CHAPTER II.4**

**“TAX ADJUSTMENT RELATING TO A BENEFIT ATTRIBUTABLE TO THE TAXATION YEAR 2004**

**“766.8.** In this chapter, “covered benefit” attributable to the taxation year 2004 means an amount determined in that year, other than an amount that is attributable to a period preceding that year and other than an amount that replaces an income referred to in paragraph *e* of section 725, and that is

(*a*) a benefit, other than an excluded benefit, intended to compensate a total or partial disability affecting a person’s capacity to perform the duties of an office or employment or to carry on a business either alone or as a partner actively engaged in the business, that is established on the basis of net income and determined under the Workers’ Compensation Act (chapter A-3), the Act respecting industrial accidents and occupational diseases (chapter A-3.001), the Act to promote good citizenship (chapter C-20) or the Act respecting occupational health and safety (chapter S-2.1);

(*b*) a pension established on the basis of net income and determined by the Société de l’assurance automobile du Québec under the Automobile Insurance Act (chapter A-25) or the Public Health Act (chapter S-2.2), except a death benefit paid in respect of a person who suffered bodily injury before 1 January 1990; or

(*c*) a payment similar to one of those described in subparagraphs *a* and *b* and made under an employees’ or workers’ compensation law of a province, other than Québec, or of Canada in respect of an injury, a disability or death.

For the purposes of subparagraph *a* of the first paragraph, “excluded benefit” means

(*a*) an amount that is the net salary or wages paid by an employer, in accordance with the Act respecting industrial accidents and occupational diseases, for each day or part of a day when a worker must be absent from work to receive care or undergo medical examinations in connection with the worker’s injury, or to take part in a personal rehabilitation program; or

(*b*) an amount that is a financial assistance payment for social stabilization or for economic stabilization under the Regulation respecting social stabilization and economic stabilization programs made by Order in Council 1738-91 dated 11 December 1991, as amended.



**“766.9.** An individual who is resident in Québec on the last day of the taxation year 2004 and is the beneficiary of a covered benefit attributable to that year shall add to the individual’s tax otherwise payable, for that year, the lesser of \$1,840 and the amount obtained by multiplying 20% by the aggregate of all amounts each of which is an amount determined under any of sections 766.10 to 766.12.

For the purposes of the first paragraph, if an individual dies or ceases to be resident in Canada in the taxation year 2004, the last day of the individual’s taxation year is deemed to be the day on which the individual died or the last day on which the individual was resident in Canada.

This section does not apply in respect of an individual’s separate fiscal return filed under the second paragraph of section 429 or section 681 or 1003.

**“766.10.** If section 766.9 applies to an individual in respect of a covered benefit attributable to the taxation year 2004 and the amount of which is determined by the Commission de la santé et de la sécurité du travail, there shall be included in computing, for that year, the aggregate referred to in the first paragraph of section 766.9, an amount equal to the total of

(a) in respect of a covered benefit attributable to the year and paid by an employer for the first 14 full days following the beginning of the individual’s disability, the lesser of the amounts determined by the following formulas:

i.  $0.80 \times A$ , and

ii.  $0.90 \times B/C \times D$ ; and

(b) in respect of a covered benefit attributable to the year, other than the covered benefit referred to in subparagraph *a*, for each day of the year for which the covered benefit is determined, in this section referred to as the “particular day”, the lesser of the amounts determined for the particular day by the following formulas:

i.  $[(0.90 \times 0.80 \times E/F) - (0.80 \times G/F)] \times (1 - H)$ , and

ii.  $[(0.90 \times I/F) - J] \times (1 - H)$ .

In the formulas in the first paragraph,

(a) A is the total of the covered benefits attributable to the year and paid by the employer for the first 14 full days following the beginning of the individual’s disability;

(b) B is the amount determined under the third paragraph of section 1015.3 that is applicable for the year;

(c) C is the number of days in the year, excluding Saturdays and Sundays;

(d) D is the number of days in the year, excluding Saturdays and Sundays, between the day on which the individual's disability begins and the day on which the individual returns to work, but without exceeding 14 days;

(e) E is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan (chapter R-9), the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(f) F is the number of days in the year;

(g) G is the annual gross revenue from a suitable employment or employment held, for the particular day;

(h) H is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(i) I is the total of the amount that the Commission de la santé et de la sécurité du travail estimated for the year on account of the amount in dollars that was referred to in the portion of section 752.0.1 before paragraph *a*, as it applied for the taxation year 2004, and the amount it estimated for the year on account of the flat amount referred to in the second paragraph of section 776.77, as it applied for the taxation year 2004, to the extent that that total is used by the Commission de la santé et de la sécurité du travail to establish the weighted net income for the purpose of computing the covered benefit attributable to the year; and

(j) J is the lesser of

i. the amount obtained by multiplying 0.80 by the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by dividing the recognized amounts used to establish the weighted net income from a suitable employment or employment held, for the particular day, by the number of days in the year.

For the purposes of subparagraph *g* and subparagraph *i* of subparagraph *j* of the second paragraph, "annual gross revenue from a suitable employment or employment held", for a particular day, means the annual gross revenue relating to a suitable employment or employment held that is taken into account in determining, for the particular day, the covered benefit attributable to the year, including the annual gross revenue from any benefit paid to the individual, because of a termination of employment, under a law of Québec or of any other jurisdiction, other than the Act respecting industrial accidents and occupational diseases (chapter A-3.001), or, if the covered benefit attributable

to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year following that for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

For the purposes of subparagraph ii of subparagraph *j* of the second paragraph, “recognized amounts used to establish the weighted net income from a suitable employment or employment held”, for a particular day, means the total of the amount that the Commission de la santé et de la sécurité du travail estimated for the year on account of the amount in dollars that was referred to in the portion of section 752.0.1 before paragraph *a*, as it applied for the taxation year 2004, and the amount it estimated for the year on account of the flat amount referred to in the second paragraph of section 776.77, as it applied for the taxation year 2004, to the extent that that total is used by the Commission to establish the weighted net income from a suitable employment or employment held, for the particular day.

**“766.11.** If section 766.9 applies to an individual in respect of a covered benefit attributable to the taxation year 2004 and the amount of which is determined by the Société de l’assurance automobile du Québec, there shall be included in computing, for that year, the aggregate referred to in the first paragraph of section 766.9, an amount equal to the aggregate of all amounts each of which is, for each day of the year for which the covered benefit is determined, in this section referred to as the “particular day”, equal to the lesser of the amounts determined for the particular day by the following formulas:

(a)  $\{[(0.90 \times 0.80 \times A/B) - (C \times 0.80 \times D/B)] \times (1 - E)\} - F/B$ ; and

(b)  $\{[(0.90 \times G/B) - (C \times H)] \times (1 - E)\} - F/B$ .

In the formulas in the first paragraph,

(a) *A* is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan (chapter R-9), the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;

(b) *B* is the number of days in the year;

(c) *C* is,

i. if only part of the net income from an employment held is used to reduce, for the particular day, the covered benefit attributable to the year, the percentage

attributed under the public compensation plan in respect of that net income, and

ii. in any other case, 100%;

(*d*) D is the annual gross revenue from a suitable employment or employment held, for the particular day;

(*e*) E is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

(*f*) F is the amount obtained by multiplying 0.80 by the amount that is payable for the year as an old age pension or as a disability benefit payable under a plan established by a jurisdiction, other than Québec, and equivalent to the plan established under the Act respecting the Québec Pension Plan, and that is, in determining, for the particular day, the covered benefit attributable to the year, used by the Société de l'assurance automobile du Québec to reduce the amount of that covered benefit;

(*g*) G is the total of \$6,150 and the amounts estimated by the Société de l'assurance automobile du Québec for the year 2003, as an employee's premium under the Employment Insurance Act (Statutes of Canada, 1996, chapter 23) and as an employee's contribution under the Act respecting the Québec Pension Plan, to the extent that that total is used by the Société to establish the weighted net income for the purpose of computing, for the particular day, the covered benefit attributable to the year; and

(*h*) H is the lesser of

i. the amount obtained by multiplying 0.80 by the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year, and

ii. the amount obtained by dividing the recognized amounts used to establish the weighted net income from a suitable employment or employment held, for the particular day, by the number of days in the year.

For the purposes of subparagraph *d* and subparagraph i of subparagraph *h* of the second paragraph, "annual gross revenue from a suitable employment or employment held", for a particular day, means the annual gross revenue relating to a suitable employment or employment held that is taken into account in determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the Act respecting the Québec Pension Plan, the amount that would be the annual gross revenue relating to a suitable employment or employment held that would be taken into account in determining, for the particular day, the covered benefit attributable to the year if, from the year following that for which that gross revenue was last established, it were adjusted according to the same rules as those applicable to the covered benefit.

For the purposes of subparagraph ii of subparagraph *h* of the second paragraph, “recognized amounts used to establish the weighted net income from a suitable employment or employment held”, for a particular day, means the total of \$6,150 and the amounts estimated by the Société de l’assurance automobile du Québec for the year 2003, as an employee’s premium under the Employment Insurance Act and as an employee’s contribution under the Act respecting the Québec Pension Plan, to the extent that that total is used by the Société to establish the weighted net income from a suitable employment or employment held, for the particular day.

**“766.12.** If section 766.9 applies to an individual in respect of a covered benefit attributable to the taxation year 2004 and the amount of which is determined by an entity, other than the Commission de la santé et de la sécurité du travail and the Société de l’assurance automobile du Québec, there shall be included in computing, for that year, the aggregate referred to in the first paragraph of section 766.9, an amount equal to the lesser of the amounts determined by the following formulas:

(a)  $0.80 \times A$ ; and

(b)  $0.90 \times \$9,200/B \times C$ .

In the formulas in the first paragraph,

(a) *A* is the total of the covered benefits attributable to the year and determined by the entity referred to in the first paragraph;

(b) *B* is the number of days in the year; and

(c) *C* is the number of days in the year for which the covered benefits attributable to the year are determined by the entity referred to in the first paragraph.

**“766.13.** For the purposes of this chapter, if an individual to whom section 766.9 applies for the taxation year 2004 was resident in Canada only during part of that year, the following rules apply:

(a) there shall be taken into account, as a covered benefit attributable to that year, only an amount that can reasonably be considered wholly attributable to any period in the year throughout which the individual was resident in Canada; and

(b) the amount of \$1,840 referred to in the first paragraph of section 766.9 is to be replaced by an amount equal to the amount obtained by multiplying \$1,840 by the proportion that the number of days in any period of the year throughout which the individual was resident in Canada is of the number of days in the year.

**“766.14.** For the purposes of this chapter, if an individual to whom section 766.9 applies for the taxation year 2004 is referred to in the second paragraph of section 22, the amount of \$1,840 provided for in the first paragraph of section 766.9 is to be replaced by the amount obtained by multiplying \$1,840 by the proportion determined under the second paragraph of section 22 in respect of the individual for the year.

**“766.15.** For the purposes of this chapter, if an individual becomes a bankrupt in the calendar year 2004, the following rules apply:

(a) there shall be taken into account, as a covered benefit attributable to each of the individual’s taxation years referred to in section 779 that end in the calendar year, only an amount that is wholly attributable to that taxation year; and

(b) the amount of \$1,840 provided for in the first paragraph of section 766.9 is to be replaced, for each of the individual’s taxation years referred to in section 779 that end in the calendar year, by the amount obtained by multiplying \$1,840 by the proportion that the number of days in that taxation year is of the number of days in the calendar year.

## **“CHAPTER II.5**

### **“TAX ADJUSTMENT RELATING TO A COVERED BENEFIT DETERMINED RETROACTIVELY**

**“766.16.** In this chapter, “covered benefit attributable to a preceding taxation year” means an amount determined in a particular taxation year that is attributable to a taxation year preceding the particular year but subsequent to the taxation year 2003, and that is

(a) if the preceding taxation year is the year 2004, an amount referred to in any of subparagraphs *a* to *c* of the first paragraph of section 766.8, other than an amount that replaces income described in paragraph *e* of section 725; and

(b) in any other case, an amount that is an income replacement indemnity or a compensation for the loss of financial support, determined under a public compensation plan and established on the basis of net income following an accident, employment injury or death or in order to prevent bodily injury, other than

i. an amount that is the net salary or wages paid by an employer, in accordance with the Act respecting industrial accidents and occupational diseases (chapter A-3.001), for each day or part of a day when a worker must be absent from work to receive care or undergo medical examinations in connection with the worker’s injury, or to take part in a personal rehabilitation program, or

ii. an amount that replaces income described in paragraph *e* of section 725.

**“766.17.** If an individual is resident in Québec at the end of a particular taxation year and is the beneficiary of a covered benefit attributable to a preceding taxation year, the individual shall add to the individual’s tax otherwise payable, for the particular year, the amount determined by the formula

$$(A - B) + (C - D) + E - F.$$

In the formula in the first paragraph,

(a) A is the tax that would have been payable by the individual under this Part for the preceding year if the covered benefit attributable to the preceding year had been determined in that preceding year;

(b) B is the tax payable by the individual under this Part for that preceding year;

(c) C is the amount deducted by the individual’s eligible spouse for the preceding taxation year under section 776.78, as it read before being repealed, or under section 776.41.5 in computing the tax otherwise payable under this Part for the preceding year;

(d) D is the amount that could have been deducted by the individual’s eligible spouse for the preceding taxation year under section 776.78, as it read before being repealed, or under section 776.41.5 in computing the tax payable under this Part for that preceding year, computed without reference to section 776.41.5, if the covered benefit attributable to the preceding year had been determined in that year, but not exceeding the tax payable for that preceding year;

(e) E is the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.50.3 on account of the individual’s tax payable under this Part for a preceding taxation year because of the application of this section in respect of a covered benefit attributable to the preceding year; and

(f) F is the aggregate of all amounts each of which is an amount that the individual shall add to the individual’s tax otherwise payable under this Part for a preceding taxation year because of the application of this section in respect of a covered benefit attributable to the preceding year.

In subparagraphs *c* and *d* of the second paragraph, the individual’s eligible spouse for the preceding taxation year means a person who would be the individual’s eligible spouse for that year, within the meaning of sections 776.41.1 to 776.41.4, if the portion of section 776.41.1 before paragraph *a* were read as if “for a taxation year” were replaced by “for a preceding taxation year”.

For the purposes of this section, if an individual dies or ceases to be resident in Canada in the particular taxation year, the last day of that taxation year is

deemed to be the day on which the individual died or the last day on which the individual was resident in Canada.

This section does not apply in respect of an individual's separate fiscal return filed under the second paragraph of section 429 or section 681 or 1003."

(2) Subsection 1 applies from the taxation year 2004, except when it enacts Chapter II.5 of Title I of Book V of Part I of the Act, in which case it applies from the taxation year 2005.

**168.** (1) Section 767 of the Act is amended, in the third paragraph,

(1) by replacing "of the individual's eligibility period" and "in respect of that employment" in subparagraph *b* by "of a specified period of the individual" and "in respect of that period", respectively;

(2) by replacing "of the individual's reference period, established under section 69" and "of section 65 of that Act" in subparagraph *c* by "of a specified period of the individual, established under the fourth paragraph of section 65" and "of that section 65 in respect of that period", respectively.

(2) Subsection 1 applies from the taxation year 2004. In addition, when subparagraph *c* of the third paragraph of section 767 of the Act applies to the taxation year 2003, it reads as if "in respect of that employment" was added after "of section 65 of that Act".

**169.** (1) Section 771 of the Act, amended by section 102 of chapter 23 of the statutes of 2005, is again amended, in subsection 1,

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

"(*d.2*) in the case of a corporation other than a corporation referred to in paragraph *a*, to the amount by which 16.25% of its taxable income for the year exceeds the aggregate of

i. the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.3 to the lesser of

(1) the amount by which its taxable income for the year exceeds the aggregate of the amount determined in its respect for the year under section 771.0.2.2 and the portion of that income that is not, because of an Act of the Legislature of Québec, subject to tax under this Part, and

(2) the amount by which its income for the year from an eligible business carried on by it exceeds its loss for the year from such a business, and

ii. if the corporation has been throughout the year a Canadian-controlled private corporation, the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.4 to the amount established in its respect for the year under section 771.2.1.2;"



(2) by replacing the portion of subparagraph ii of paragraph *h* before subparagraph 1 by the following:

“ii. the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.3 to the amount by which the least of the following amounts exceeds the amount determined in its respect for the year under section 771.8.3.”;

(3) by adding the following subparagraph after subparagraph ii of paragraph *h*:

“ii.1. if the corporation has been throughout the year a Canadian-controlled private corporation, the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.4 to the amount by which the amount determined in its respect for the year under section 771.2.1.2 exceeds the amount determined in its respect for the year under section 771.8.3.”;

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

“ii. the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.3 to the amount by which the lesser of the following amounts exceeds the amount determined in its respect for the year under section 771.8.5.”;

(5) by adding the following subparagraph after subparagraph ii of paragraph *j*:

“iii. if the corporation was a Canadian-controlled private corporation throughout the year, the amount obtained by applying the percentage determined in its respect for the year under section 771.0.2.4 to the amount that would be determined in its respect for the year under section 771.2.1.2 if the excess amount determined under paragraphs *a* and *b* of that section were reduced by the amount determined in its respect for the year under section 771.8.5.”.

(2) Subsection 1 applies from the taxation year 2006.

(3) In addition, for the purposes of subparagraph i of subparagraph *a* of the first paragraph of section 1027 of the Act, for the purpose of computing the amount of a payment that a corporation is required to make under subparagraph *a* of the first paragraph of section 1027 of the Act, for a taxation year that ends after 31 December 2005 and includes 21 April 2005, and of section 1038 of the Act, for the purpose of computing the interest provided for in that section that the corporation must pay, where applicable, in respect of that payment, its estimated tax or its tax payable for that taxation year in accordance with section 1004 of the Act

(1) shall, in respect of a payment that the corporation is required to make before 22 April 2005, be established without reference to this section and section 171; and

(2) is, in respect of a payment that the corporation is required to make after 21 April 2005, deemed to be equal to the total of that estimated tax or tax payable, computed without reference to this section and section 171, and the product obtained by multiplying, by the proportion that 12 is of the number of payments that the corporation is required to make, after 21 April 2005, for the taxation year under subparagraph *a* of the first paragraph of section 1027 of the Act, the amount by which that estimated tax or tax payable, computed without reference to this subsection, exceeds that estimated tax or tax payable, computed without reference to this section and section 171.

**170.** (1) Section 771.0.2.2 of the Act is amended by replacing “771,” in the portion of the first paragraph before the formula by “771, 771.2.1.2,”.

(2) Subsection 1 applies from the taxation year 2006.

**171.** (1) The Act is amended by inserting the following sections after section 771.0.2.2:

**“771.0.2.3.** The percentage referred to, in respect of a corporation for a taxation year, in subparagraph *i* of paragraph *d.2* of subsection 1 of section 771 or in subparagraph *ii* of paragraph *h* or *j* of that subsection 1 is equal to

(*a*) if the taxation year begins before 1 January 2009 and it begins and ends in the same calendar year, the base percentage for that calendar year;

(*b*) if the taxation year begins in the calendar year 2006 and ends in the calendar year 2007, 6.35%;

(*c*) if the taxation year begins before 1 January 2009 and subparagraphs *a* and *b* do not apply, the total of

i. the proportion of the base percentage for the calendar year in which the taxation year begins that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year, and

ii. the proportion of the base percentage for the calendar year in which the taxation year ends that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year; and

(*d*) if the taxation year begins after 31 December 2008, 4.35%.

For the purposes of the first paragraph, the base percentage for a calendar year is equal to

- (a) 7.35%, for the calendar year 2005;
- (b) 6.35%, for the calendar year 2006 or 2007;
- (c) 4.85%, for the calendar year 2008; and
- (d) 4.35%, for the calendar year 2009.

**“771.0.2.4.** The percentage referred to, in respect of a corporation for a taxation year, in subparagraph ii of paragraph *d.2* of subsection 1 of section 771, in subparagraph ii.1 of paragraph *h* of that subsection 1 or in subparagraph iii of paragraph *j* of that subsection 1 is equal to

(a) if the taxation year begins before 1 January 2009 and it begins and ends in the same calendar year, the base percentage for that calendar year;

(b) if the taxation year begins in the calendar year 2006 and ends in the calendar year 2007, 1.4%;

(c) if the taxation year begins before 1 January 2009 and subparagraphs *a* and *b* do not apply, the total of

i. the proportion of the base percentage for the calendar year in which the taxation year begins that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year, and

ii. the proportion of the base percentage for the calendar year in which the taxation year ends that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year; and

(d) if the taxation year begins after 31 December 2008, 3.4%.

For the purposes of the first paragraph, the base percentage for a calendar year is equal to

- (a) 0%, for the calendar year 2005;
- (b) 1.4%, for the calendar year 2006 or 2007;
- (c) 2.9%, for the calendar year 2008; and
- (d) 3.4%, for the calendar year 2009.”

(2) Subsection 1 applies from the taxation year 2006.

**172.** (1) Section 771.1 of the Act, amended by section 103 of chapter 23 of the statutes of 2005, is again amended by inserting the following definitions in alphabetical order in the first paragraph:

““specified partnership income” of a corporation for a taxation year means the aggregate of

(a) the aggregate of all amounts each of which is an amount, in respect of a partnership of which the corporation is a member in the year, equal to the lesser of

i. the aggregate of all amounts each of which is an amount, in respect of an eligible business carried on in Canada by the corporation as a member of the partnership, equal to the amount by which the aggregate of all amounts each of which is the corporation’s share of the income, determined in accordance with Title XI of Book III, of the partnership from the business for a fiscal period of the business that ends in the year, exceeds the aggregate of all amounts each of which is an amount deducted in computing the corporation’s income for the year from the business, other than an amount that was deducted by the partnership in computing its income from the business, and

ii. the proportion of the lesser of \$400,000 and the product obtained by multiplying \$1,096 by the number of days included in a fiscal period of the partnership that ends in the year that the aggregate of all amounts each of which is the corporation’s share of the income, determined in accordance with Title XI of Book III, of the partnership from an eligible business carried on in Canada for a fiscal period that ends in the year is of the aggregate of all amounts each of which is the partnership’s income for a fiscal period referred to in subparagraph i from an eligible business carried on in Canada; and

(b) the lesser of

i. the aggregate of the amounts determined in respect of the corporation for the year under subparagraphs i and ii of paragraph *a* of section 771.2.1.2, and

ii. the aggregate of all amounts each of which is an amount, in respect of a partnership of which the corporation is a member in the year, equal to the amount by which the amount determined in respect of the partnership for the year under subparagraph i of paragraph *a* exceeds the amount determined in respect of the partnership for the year under subparagraph ii of that paragraph;

““specified partnership loss” of a corporation for a taxation year means the aggregate of all amounts each of which is an amount, in respect of a partnership of which the corporation is a member in the year, equal to the aggregate of

(a) the aggregate of all amounts each of which is the corporation’s share of the loss, determined in accordance with Title XI of Book III, of the partnership for a fiscal period that ends in the year from an eligible business carried on in Canada by the corporation as a member of the partnership; and

(b) the aggregate of all amounts each of which is the amount by which the aggregate of all amounts each of which is an amount deducted in computing the corporation’s income for the year from an eligible business carried on in Canada by the corporation as a member of the partnership, other than an

amount that was deducted by the partnership in computing its income from the business, exceeds the aggregate of all amounts each of which is the corporation's share of the income, determined in accordance with Title XI of Book III, of the partnership from the business for a fiscal period that ends in the year."

(2) Subsection 1 applies from the taxation year 2006.

**173.** (1) The Act is amended by inserting the following sections before section 771.2.2:

**"771.2.1.2.** The amount that, for the purposes of paragraphs *d.2* and *h* of subsection 1 of section 771, is to be determined in respect of a corporation for a taxation year under this section is equal to the least of

(a) the amount by which the aggregate of all amounts each of which is the income of the corporation for the year from an eligible business carried on by it in Canada, other than the income of the corporation for the year from a business carried on by it as a member of a partnership, and the specified partnership income of the corporation for the year exceeds the aggregate of

i. all amounts each of which is a loss of the corporation for the year from an eligible business carried on by it in Canada, other than a loss of the corporation for the year from a business carried on by it as a member of a partnership, and

ii. the specified partnership loss of the corporation for the year;

(b) the amount by which the taxable income of the corporation for the year exceeds the aggregate of the amount determined in respect of the corporation for the year under section 771.0.2.2 and the portion of the corporation's taxable income for the year that is not, because of an Act of the Legislature of Québec, subject to tax under this Part; and

(c) the corporation's business limit for the year.

**"771.2.1.3.** In this Title, a corporation's business limit for a taxation year is equal to \$400,000 unless the corporation is associated in the year with one or more other Canadian-controlled private corporations in which case, except as otherwise provided in this Title, its business limit for the year is equal to zero.

For the purposes of the first paragraph and sections 771.2.1.4 to 771.2.1.8, if two corporations are deemed, under section 21.21, to be associated with each other at any time because they are associated, or deemed to be associated under section 21.21, at that time with the same corporation, in this paragraph referred to as the "third corporation", and the third corporation is not a Canadian-controlled private corporation at that time or elects, in prescribed form, for its taxation year that includes that time not to be associated with either of the other two corporations, the following rules apply:

(a) the third corporation is deemed not to be associated with either of the other two corporations in that taxation year; and

(b) the third corporation's business limit for that taxation year is deemed to be equal to zero.

**“771.2.1.4.** Despite the first paragraph of section 771.2.1.3, if a Canadian-controlled private corporation is associated with one or more other Canadian-controlled private corporations and all of those corporations have filed with the Minister in prescribed form an agreement whereby, for the purposes of this Title, they allocate an amount to one or more of them for the year and the amount so allocated or the aggregate of the amounts so allocated, as the case may be, is equal to \$400,000, the business limit for the year of each of the corporations is equal to the amount so allocated to it.

**“771.2.1.5.** If any of the Canadian-controlled private corporations referred to in section 771.2.1.4 fails to file with the Minister an agreement referred to in that section within 30 days after notice in writing by the Minister has been forwarded to any of them that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this Title, allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall be equal to \$400,000, and in any such case, despite the first paragraph of section 771.2.1.3, the business limit for the year of each of the corporations is equal to the amount so allocated to it.

**“771.2.1.6.** If any of the Canadian-controlled private corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and a percentage or an amount is allocated, in accordance with subsection 3 or 4 of section 125 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), to one or more of those corporations for the year, the business limit for the year of each of the corporations, determined in accordance with section 771.2.1.4 or 771.2.1.5, shall not be less than its business limit that, but for subsections 5 and 5.1 of that section 125, would be determined for that year for the purposes of paragraph *c* of subsection 1 of that section.

If, for a taxation year, a corporation referred to in the first paragraph has filed an agreement with the Minister of National Revenue in accordance with subsection 3 of section 125 of the Income Tax Act, the corporation shall file with the Minister, for that year, a copy of the agreement.

**“771.2.1.7.** Despite the first paragraph of section 771.2.1.3 and sections 771.2.1.4 to 771.2.1.6, the following rules apply:

(a) if a Canadian-controlled private corporation, in this paragraph referred to as the “first corporation”, has more than one taxation year ending in the same calendar year and is associated in two or more of those taxation years with another Canadian-controlled private corporation that has a taxation year

ending in that calendar year, the business limit of the first corporation for each particular taxation year that ends in the calendar year in which it is associated with the other corporation and that ends after the first taxation year ending in that calendar year is, subject to paragraph *b*, an amount equal to the lesser of

i. its business limit for the first taxation year ending in the calendar year, determined in accordance with section 771.2.1.4 or 771.2.1.5, and

ii. its business limit for the particular taxation year ending in the calendar year, determined in accordance with section 771.2.1.4 or 771.2.1.5; and

(*b*) if a Canadian-controlled private corporation has a taxation year of fewer than 51 weeks, its business limit for the year is that proportion of its business limit for the year, determined without reference to this paragraph and section 771.2.1.8, that the number of days in the year is of 365.

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

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

In the formula in the first paragraph,

(*a*) A is the corporation’s business limit for the taxation year, determined without reference to this section; and

(*b*) B is

i. if the corporation is not associated with any other corporation in the taxation year, the corporation’s paid-up capital determined as provided in section 771.2.1.9 of its preceding taxation year or, if the corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of the fiscal period in accordance with generally accepted accounting principles, and

ii. if the corporation is associated with one or more other corporations in the taxation year, the aggregate of all amounts each of which is, for the corporation or any of the other corporations, the amount of its paid-up capital determined as provided in section 771.2.1.9 for its last taxation year ending in the preceding calendar year or, if the corporation is in its first fiscal period, on the basis of its financial statements prepared at the beginning of the fiscal period in accordance with generally accepted accounting principles.

**“771.2.1.9.** For the purposes of section 771.2.1.8, the paid-up capital of a corporation for a taxation year is equal to

(a) in respect of a corporation referred to in paragraph *a* of section 1132, twice its paid-up capital determined for that year in accordance with Title II of Book III of Part IV;

(b) in respect of a corporation referred to in paragraph *c* of section 1132, a mining corporation that has not reached the production stage or a cooperative, its paid-up capital determined for that year in accordance with Title I of Book III of Part IV; and

(c) in respect of an insurance corporation, other than a corporation referred to in paragraph *a* or *b*, twice its paid-up capital that would be determined for that year in accordance with Title II of Book III of Part IV, if the corporation were a bank and if paragraph *a* of section 1140 were replaced by paragraph *a* of subsection 1 of section 1136.

**“771.2.1.10.** If in a taxation year a corporation is a member of a particular partnership and the corporation or a corporation with which it is associated in the year is a member of one or more other partnerships in the year and it may reasonably be considered that one of the main reasons for the separate existence of the partnerships is to increase for a corporation the amount determined in its respect under subparagraph ii of paragraph *d.2* of subsection 1 of section 771, the specified partnership income of the corporation for the year shall, for the purposes of this Title, be computed in respect of those partnerships as if all amounts each of which is the income of one of the partnerships for a fiscal period ending in the year from an eligible business carried on by it in Canada were equal to zero except for the greatest of such amounts.

**“771.2.1.11.** For the purposes of this Title, a corporation that is a member, or is deemed under this section to be a member, of a partnership that is itself a member of another partnership is deemed to be a member of that other partnership and the corporation’s share of the income of the other partnership for a fiscal period is deemed to be equal to the amount of such income to which the corporation is directly or indirectly entitled.

**“771.2.1.12.** Despite any other provision of this Title, if a corporation is a member of a partnership that was controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada, by one or more public corporations other than a prescribed venture capital corporation, or by any combination thereof at any time in its fiscal period ending in a taxation year of the corporation, the income of the partnership for that fiscal period from an eligible business carried on in Canada is, for the purpose of computing the specified partnership income of the corporation for the year, deemed to be equal to zero.

**“771.2.1.13.** For the purposes of section 771.2.1.12, a partnership is deemed to be controlled by one or more persons at any time if the share of that person or the aggregate of the shares of those persons of the income of the partnership from a particular source for the fiscal period of the partnership



that includes that time exceeds one half of the income of the partnership from that source for that fiscal period.”

(2) Subsection 1 applies from the taxation year 2006.

**174.** (1) Section 771.2.2 of the Act is replaced by the following section:

**“771.2.2.** For the purposes of paragraphs *d.2* and *h* of subsection 1 of section 771 and sections 771.2.1.2 and 771.8.3 in respect of a corporation for a taxation year, the following rules apply:

(*a*) the excess amount described in subparagraph 2 of subparagraph *i* of that paragraph *d.2*, in subparagraph 2 of subparagraph *ii* of that paragraph *h* or in paragraph *a* of section 771.2.1.2, as the case may be, shall be computed as if the corporation had, for the year,

*i.* realized an additional income from an eligible business it carries on, or carries on in Canada, equal to the second aggregate that is mentioned in the first paragraph of section 52 of the Act respecting international financial centres (chapter C-8.3) and determined in its respect for the year under that paragraph, and

*ii.* sustained an additional loss from an eligible business it carries on, or carries on in Canada, equal to the first aggregate that is mentioned in the first paragraph of section 52 of the Act respecting international financial centres and determined in its respect for the year under that paragraph; and

(*b*) the excess amount described in paragraph *d* of section 771.8.3 shall be computed as if the corporation had, for the year,

*i.* realized an additional income from an eligible business it carries on in Canada, equal to the second aggregate that is mentioned in the first paragraph of section 52 of the Act respecting international financial centres, which, if the percentage specified in computing that aggregate were equal to 100%, would be determined in its respect for the year under that paragraph, and

*ii.* sustained an additional loss from an eligible business it carries on in Canada, equal to the first aggregate that is mentioned in the first paragraph of section 52 of the Act respecting international financial centres, which, if the percentage specified in computing that aggregate were equal to 100%, would be determined in its respect for the year under that paragraph.”

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004. However, when section 771.2.2 of the Act applies to such a taxation year that precedes the taxation year 2006,

(1) the portion of that section before paragraph *a* reads as if “sections 771.2.1.2 and 771.8.3” was replaced by “section 771.8.3”;

(2) the portion of paragraph *a* of that section before subparagraph *i* reads as if “, in subparagraph 2 of subparagraph *ii* of that paragraph *h* or in paragraph *a* of section 771.2.1.2, as the case may be” were replaced by “or in subparagraph 2 of subparagraph *ii* of that paragraph *h*”; and

(3) subparagraphs *i* and *ii* of paragraph *a* of that section read without reference to “, or carries on in Canada”.

(3) In addition, for the application of section 771.2.2 of the Act to a corporation for a taxation year that begins before 31 March 2004, if, in that taxation year, the corporation is a member of a partnership that, in a fiscal period of the partnership that ends in that taxation year and began after 30 March 2004, operates an international financial centre, paragraphs *a* and *b* of section 771.2.2 read as follows, subject to subsection 4:

“(a) in the case of paragraphs *d.2* and *h* of subsection 1 of section 771,

*i.* 75% of any income or loss of the corporation for the year from the operations of an international financial centre operated by the corporation were nil,

*ii.* if, in the year, the corporation is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began before 31 March 2004, operates an international financial centre, 75% of its share of any income or loss of the partnership for that fiscal period from the operations of an international financial centre operated by the partnership were nil, and

*iii.* if, in the year, the corporation is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began after 30 March 2004, operates an international financial centre,

(1) the corporation had realized for the year an additional income from an eligible business it carries on, that is equal to 75% of its share of the specified loss, within the meaning of section 49 of the Act respecting international financial centres (chapter C-8.3), of the partnership for that fiscal period from the operations of an international financial centre operated by the partnership, and

(2) the corporation had sustained for the year an additional loss from an eligible business it carries on, that is equal to 75% of its share of the specified income, within the meaning of section 49 of the Act respecting international financial centres, of the partnership for that fiscal period from the operations of an international financial centre operated by the partnership; and

“(b) in the case of section 771.8.3, the rules set out in subparagraphs *i* to *iii* of paragraph *a*, as they would read if any percentage mentioned in those subparagraphs were replaced by a percentage of 100% and if “it carries on” in subparagraphs 1 and 2 of subparagraph *iii* of paragraph *a* were replaced by “it carries on in Canada”, applied.”

(4) When the percentage of 75%, provided for in subparagraphs i and ii of paragraph *a* of section 771.2.2 of the Act, enacted by subsection 3, is to be applied

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

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

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

(2) to the corporation's share of the income or loss of a partnership for a fiscal period of the partnership that ends in a taxation year of the corporation and includes 12 June 2003, from the operations of an international financial centre operated by the partnership, the percentage of 75% is to be replaced by the total of

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

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

**175.** (1) Section 771.2.3 of the Act is amended by replacing "section 771.8.3" in the portion before paragraph *a* by "sections 771.2.1.2 and 771.8.3".

(2) Subsection 1 applies from the taxation year 2006.

**176.** (1) Sections 771.2.4 and 771.2.5 of the Act are amended by replacing "section 771.8.3" by "sections 771.2.1.2 and 771.8.3".

(2) Subsection 1 applies from the taxation year 2006.

**177.** (1) Section 771.2.6 of the Act is amended by replacing “paragraphs *d.2* and *h* of subsection 1 of section 771 and section 771.8.3” in the portion of the first paragraph before subparagraph *a* by “paragraph *d.2* of subsection 1 of section 771 and section 771.2.1.2”.

(2) Subsection 1 applies from the taxation year 2006.

**178.** (1) Section 771.2.7 of the Act is amended

(1) by replacing “section 771.8.3” in the portion before paragraph *a* by “sections 771.2.1.2 and 771.8.3”;

(2) by inserting “and section 771.2.1.2” after “of section 771” in paragraph *a*.

(2) Subsection 1 applies from the taxation year 2006.

**179.** (1) Section 772.2 of the Act, amended by section 182 of chapter 1 of the statutes of 2005, is again amended

(1) by replacing “766.4” in the definition of “tax otherwise payable” by “766.3”;

(2) by replacing “and subparagraphs *i* and *ii* of paragraphs *d.2*, *h* and *j* of subsection 1 of section 771” in the definition of “tax otherwise payable” by “, subparagraphs *i* and *ii* of paragraph *d.2* of subsection 1 of section 771, subparagraphs *i* to *ii.1* of paragraph *h* of that subsection 1 and subparagraphs *i* to *iii* of paragraph *j* of that subsection 1”;

(3) by replacing “the individual’s eligibility period” and “in respect of that employment” in subparagraph *ii* of paragraph *b* of the definition of “business-income tax” and in subparagraph 2 of subparagraph *vii* of paragraph *d* of the definition of “non-business-income tax” by “a specified period of the individual” and “in respect of that period”, respectively;

(4) by replacing “the individual’s reference period, established under section 69” and “of section 65 of that Act” in subparagraph *iii* of paragraph *b* of the definition of “business-income tax” and in subparagraph 3 of subparagraph *vii* of paragraph *d* of the definition of “non-business-income tax” by “a specified period of the individual, established under the fourth paragraph of section 65” and “of that section 65 in respect of that period”, respectively.

(2) Paragraphs 1, 3 and 4 of subsection 1 apply from the taxation year 2004. In addition, when subparagraph 3 of subparagraph *vii* of paragraph *d* of the definition of “non-business-income tax” and subparagraph *iii* of paragraph *b* of the definition of “business-income tax” in section 772.2 of the Act apply to the taxation year 2003, they read as if “in respect of that employment” was added after “of section 65 of that Act”.

(3) Paragraph 2 of subsection 1 applies from the taxation year 2006.

**180.** (1) Section 772.8 of the Act is amended by replacing “seven” in paragraph *b* by “ten”.

(2) Subsection 1 applies in respect of the unused portion of the foreign tax credit computed for a taxation year that ends after 22 March 2004.

**181.** (1) Section 772.12 of the Act is amended by replacing “seven” in paragraph *a* by “ten”.

(2) Subsection 1 applies in respect of the unused portion of the foreign tax credit computed for a taxation year that ends after 22 March 2004.

**182.** Section 776.1.0.1 of the Act is repealed.

**183.** Section 776.1.1 of the Act is amended by striking out “, or that is paid by a qualifying trust in respect of the individual,” in the portion before paragraph *a*.

**184.** Section 776.1.4 of the Act, amended by section 184 of chapter 1 of the statutes of 2005, is again amended, in the first paragraph,

(1) by striking out “, or by a qualifying trust in respect of the individual,” in the portion before subparagraph *a*;

(2) by replacing “where the amount is paid by a qualifying trust in respect of the individual, the annuitant is the spouse of the individual and” in subparagraphs *a.1* and *b.1* by “where the purchased share is held by a trust governed by a registered retirement savings plan or registered retirement income fund under which the annuitant is the individual’s spouse,”.

**185.** (1) Section 776.1.4.1 of the Act is amended by replacing “qualifying trust in respect of the individual and the annuitant under the registered retirement savings plan governing the trust” by “trust governed by a registered retirement savings plan or registered retirement income fund under which the annuitant”.

(2) Subsection 1 has effect from 14 March 2000.

**186.** Section 776.1.4.2 of the Act is amended by striking out “or by a qualifying trust in respect of the individual,”.

**187.** Section 776.1.4.3 of the Act is amended by striking out “or a qualifying trust in respect of the individual”.

**188.** Section 776.1.5.0.1 of the Act is amended

(1) by replacing “, where the amount that was paid to purchase that share was paid by a qualifying trust in respect of the individual” in the definition of

“original share” in the first paragraph by “and held by a trust governed by a registered retirement savings plan under which the annuitant is the individual or the individual’s spouse”;

(2) by striking out “, where the amount paid to purchase the replacement share is paid by the individual or a qualifying trust in respect of the individual” in the definition of “replacement share” in the first paragraph;

(3) by striking out “issued to the individual” in the definition of “eligible amount” in the first paragraph;

(4) by striking out “or a qualifying trust in respect of the individual” in the definition of “specified balance” in the first paragraph;

(5) by replacing “where an individual holding original shares makes a request for redemption of the shares, at a particular time,” in the second paragraph by “if the annuitant under a registered retirement savings plan makes a request for redemption of original shares, at a particular time.”.

**189.** Section 776.1.5.0.2 of the Act is amended

(1) by striking out “issued to an individual,” in the portion before the formula in the first paragraph;

(2) by striking out “or a qualifying trust in respect of the individual” in the following provisions:

— subparagraph *b* of the second paragraph;

— the third paragraph.

**190.** Section 776.1.5.0.3 of the Act is amended by striking out “or a qualifying trust in respect of the individual”.

**191.** Section 776.1.5.0.4 of the Act is amended by striking out “or a qualifying trust in respect of the individual”.

**192.** Section 776.1.5.0.6 of the Act is amended

(1) by replacing “, where the amount that was paid to purchase that share was paid by a qualifying trust in respect of the individual” in the definition of “original share” in the first paragraph by “and held by a trust governed by a registered retirement savings plan under which the annuitant is the individual or the individual’s spouse”;

(2) by striking out “, where the amount paid to purchase the replacement share is paid by the individual or a qualifying trust in respect of the individual” in the definition of “replacement share” in the first paragraph;

(3) by striking out “issued to the individual” in the definition of “eligible amount” in the first paragraph;

(4) by striking out “or a qualifying trust in respect of the individual” in the definition of “specified balance” in the first paragraph;

(5) by replacing “where an individual holding original shares makes a request for redemption of the shares, at a particular time,” in the second paragraph by “if the annuitant under a registered retirement savings plan makes a request for redemption of original shares, at a particular time,”.

**193.** Section 776.1.5.0.7 of the Act is amended

(1) by striking out “issued to an individual,” in the portion before the formula in the first paragraph;

(2) by striking out “or a qualifying trust in respect of the individual” in the following provisions:

— subparagraph *b* of the second paragraph;

— the third paragraph.

**194.** Section 776.1.5.0.8 of the Act is amended by striking out “or a qualifying trust in respect of the individual”.

**195.** Section 776.1.5.0.9 of the Act is amended by striking out “or a qualifying trust in respect of the individual”.

**196.** (1) Section 776.46 of the Act, amended by section 114 of chapter 23 of the statutes of 2005, is again amended

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

“ $A \times (B - C) - D + E$ .”;

(2) by adding the following subparagraph after subparagraph *d* of the second paragraph:

“(e) the letter E represents an amount that the individual is required to add to the individual’s tax payable for the year under this Part in accordance with section 766.17.”

(2) Subsection 1 applies from the taxation year 2004. However, when section 776.46 of the Act applies to the taxation year 2004, it reads as if “766.17” in subparagraph *e* of the second paragraph was replaced by “766.9”.

**197.** (1) The Act is amended by inserting the following section after section 776.61:

**“776.61.1.** For the purposes of section 776.51, the amount that is deductible by the individual in computing the individual’s income for the year under section 336.6 is to be established as if it were equal to the lesser of

(a) the amount that the individual deducted under section 336.6 for the year; and

(b) the amount that would be deductible under section 336.6 for the year if sections 776.53 to 776.55.3, 776.57 and 776.57.1 were applicable in computing each unused portion of the total investment expense of the individual, within the meaning of section 336.5.”

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

**198.** (1) Section 776.65 of the Act, amended by section 188 of chapter 1 of the statutes of 2005, is again amended by replacing “752.0.15” in the first and second paragraphs by “752.0.14”.

(2) Subsection 1 applies from the taxation year 2006.

**199.** (1) Section 779 of the Act, replaced by section 190 of chapter 1 of the statutes of 2005, is again replaced by the following section:

**“779.** Except for the purposes of sections 752.0.2, 752.0.7.1 to 752.0.10, 752.0.11 to 752.0.13.0.1, Chapter II.5 of Title I of Book V, sections 935.4 and 935.15 and Divisions II.8.3, II.11.1 and II.12.1 to II.20 of Chapter III.1 of Title III of Book IX, the taxation year of a bankrupt is deemed to begin on the date of the bankruptcy and the current taxation year is deemed to end on the day immediately before the date of the bankruptcy.”

(2) Subsection 1 applies from the taxation year 2005.

**200.** (1) Section 780 of the Act is amended

(1) by replacing “paragraphs *c* and *d*” in the portion before paragraph *a* by “paragraphs *b* to *d*”;

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

“(a) for any taxation year ending after that time, no amount shall be deducted

i. in computing the taxpayer’s income under section 336.6 in respect of an unused portion of the total investment expense of the taxpayer, within the meaning of section 336.5, for a taxation year that ended before that time, or

ii. in computing the taxpayer’s taxable income under sections 727 to 737 in respect of a loss sustained for a taxation year that ended before that time; and”.



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

**201.** (1) Section 782 of the Act, amended by section 191 of chapter 1 of the statutes of 2005, is again amended, in the portion before paragraph *a*,

(1) by replacing “file with the Minister a fiscal return, on a prescribed form” by “, file with the Minister a fiscal return, in the prescribed form” and by replacing “réclamer” in the French text by “demander”;

(2) by replacing “shall not,” by “may, in computing the individual’s income for each of those years, claim a deduction under section 336.6 only in respect of an unused portion of the total investment expense of the individual, within the meaning of section 336.5, for any taxation year that ended before the individual was discharged absolutely from bankruptcy, and may not,”.

(2) Paragraph 2 of subsection 1 applies from the taxation year 2001.

**202.** (1) Section 784 of the Act is amended by replacing subparagraph *b* of the first paragraph by the following subparagraph:

“(b) in computing the individual’s income for the year, the individual was not entitled to deduct any loss from transactions of the bankruptcy nor any amount under section 336.6;”.

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

**203.** (1) The Act is amended by inserting the following section after section 786:

“**786.1.** Section 786 applies to a payment made by a taxpayer to a customer with whom the taxpayer does not deal at arm’s length only if

(a) the taxpayer is a cooperative described in section 119.2R3 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1) or a savings and credit union; or

(b) the payment is a prescribed payment.”

(2) Subsection 1 applies in respect of a payment made by a taxpayer after 22 March 2004. However, section 786.1 of the Act does not apply to the portion, if any, of a qualifying payment in respect of a taxation year that

(1) can reasonably be regarded as having in commercial terms the nature of any one or more of an incentive payment, a rebate or a sales allowance; and

(2) would have been deductible under the Act in computing the income of the paying corporation for the taxation year if that portion had become payable in the taxation year as an incentive payment, a rebate or a sales allowance.

(3) For the purposes of section 786 of the Act and subsection 2 in respect of a taxpayer, if a qualifying payment in respect of a taxation year was not paid within 12 months after the taxation year, but was paid on or before 14 August 2005, it is deemed to have been paid on 23 March 2004.

(4) For the purposes of subsections 2 and 3, an amount paid by a corporation is a qualifying payment in respect of a taxation year if

(1) the taxation year began before 23 March 2004 and the amount is paid pursuant to a resolution that was passed by the corporation's board of directors before that date; and

(2) the corporation made an election in accordance with paragraph *b* of subsection 5 of section 32 of the Second Act to implement certain provisions of the budget tabled in Parliament on March 23, 2004 (Statutes of Canada, 2005, chapter 19).

(5) A corporation is, for the purpose of determining any interest and penalty payable under the Act, deemed to have paid the excess amount described in paragraph 2 on its balance-due day for the year referred to in paragraph 1 if

(1) the corporation informed in writing, before 23 March 2004, the Minister of Revenue of its intention to deduct under section 786 of the Act an amount in computing its income for a taxation year the balance-due day for which is before that date;

(2) the corporation is liable to pay an amount of tax under Part I of the Act for the year that exceeds the amount to which it would be liable if the Act were read without reference to section 786.1, as enacted by subsection 1; and

(3) the corporation pays to the Minister of Revenue that excess amount on or before 13 June 2006.

(6) A corporation is not liable to pay interest under sections 1038 and 1040 of the Act in respect of the excess amount described in paragraph 2 if

(1) the corporation informed in writing, before 23 March 2004, the Minister of Revenue of its intention to deduct an amount under section 786 of the Act in computing its income for a taxation year; and

(2) the corporation was required under sections 1027 to 1028 of the Act to make a payment before 23 March 2004 that exceeds the payment it would have been so required to make if the Act were read without reference to section 786.1, as enacted by subsection 1.

**204.** (1) Section 890.15 of the Act is amended

(1) by replacing paragraph *c.1* of the definition of "trust" by the following paragraph:

“(c.1) the repayment of amounts, including the payment of amounts related to that repayment, under the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26) or under a program administered pursuant to an agreement entered into under section 12 of that Act;”;

(2) by replacing paragraph *b* of the definition of “education savings plan” by the following paragraph:

“(b) a contract entered into after 31 December 1997 between an individual, other than a trust, such an individual and the spouse of the individual or the public primary caregiver of a beneficiary, and a person or organization, in this Title referred to as a “promoter”, under which the promoter agrees to pay or to cause to be paid educational assistance payments to or for one or more beneficiaries;”;

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

““specified plan” means an education savings plan

(a) that does not allow more than one beneficiary under the plan at any one time;

(b) under which the beneficiary is an individual in respect of whom subparagraphs *a* to *c* of the first paragraph of section 752.0.14 apply for the beneficiary’s taxation year that ends in the 21st year following the year in which the plan was entered into; and

(c) that provides that, at all times after the end of the 25th year following the year in which the plan was entered into, no other individual may be designated as a beneficiary under the plan;”;

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

““public primary caregiver” of a beneficiary under an education savings plan in respect of whom a special allowance is payable under the Children’s Special Allowances Act (Statutes of Canada, 1992, chapter 48), means the department, body, agency or institution that maintains the beneficiary or the public curator or public trustee of the province in which the beneficiary resides;”;

(5) by replacing subparagraph *i* of paragraph *b* of the definition of “subscriber” by the following subparagraph:

“i. each individual or the public primary caregiver with whom the promoter of the plan has entered into the plan;”;

(6) by inserting the following subparagraph after subparagraph *i* of paragraph *b* of the definition of “subscriber”:

“i.1. another individual or another public primary caregiver who has before that time, under a written agreement, acquired a public primary caregiver’s rights as a subscriber under the plan,”;

(7) by replacing subparagraph iii of paragraph *b* of the definition of “subscriber” by the following subparagraph:

“iii. after the death of an individual described in any of subparagraphs i to ii, any other person, including the succession of the subscriber, who acquires the individual’s rights as a subscriber under the plan or who makes contributions to the plan in respect of a beneficiary under the plan;”.

(2) Paragraphs 1, 2 and 4 to 7 of subsection 1 have effect from 15 December 2004.

(3) Paragraph 3 of subsection 1 applies from the taxation year 2005. However, when paragraph *b* of the definition of “specified plan” in section 890.15 of the Act applies to the taxation year 2005, it reads as if “subparagraphs *a* to *c* of the first paragraph” was replaced by “paragraphs *a* to *c*”.

**205.** (1) Section 890.15.1 of the Act is replaced by the following section:

“**890.15.1.** In this Title, a contribution to an education savings plan does not include an amount paid into the plan under the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26) or under a program administered pursuant to an agreement entered into under section 12 of that Act.”

(2) Subsection 1 has effect from 15 December 2004.

**206.** (1) The Act is amended by inserting the following section after section 890.15.1:

“**890.15.2.** For the purposes of this Title and paragraph *d.3* of section 336, a reference to the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26), to an amount paid under that Act, to the payment or repayment of an amount under that Act or to an obligation or condition set out in that Act is a reference to Part III.1 of the Department of Human Resources Development Act (Statutes of Canada, 1996, chapter 11), to an amount paid under that Part, to the payment or repayment of an amount under that Part or to an obligation or condition set out in that Part, as it read at the time the reference is relevant.”

(2) Subsection 1 has effect from 15 December 2004.

**207.** (1) The Act is amended by inserting the following section after section 890.16:

**“890.16.1.** For the purposes of this Title and Chapter I.2 of Title XXIV of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), “education at the post-secondary school level” or “program at a post-secondary school level” includes a program of studies of an educational institution described in subparagraph ii of paragraph *a* of section 752.0.18.10 that furnishes a person with skills for, or improves a person’s skills in, an occupation.”

(2) Subsection 1 applies from the taxation year 2004.

**208.** (1) Section 890.17 of the Act is replaced by the following section:

**“890.17.** For the purposes of paragraph *b* of the definition of “subscriber” in section 890.15, a subscriber under an education savings plan at any time does not include an individual or a public primary caregiver whose rights as a subscriber under the plan had, before that time, been acquired by an individual or public primary caregiver in the circumstances described in subparagraph i.1 or ii of that paragraph *b*.”

(2) Subsection 1 has effect from 15 December 2004.

**209.** (1) Section 895 of the Act is amended

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

“(c.1) subject to section 895.0.1, if the plan allows accumulated income payments, the plan provides that an accumulated income payment is permitted to be made only if

i. the payment is made to, or on behalf of, a subscriber under the plan who is resident in Canada when the payment is made,

ii. the payment is not made jointly to, or on behalf of, more than one subscriber, and

iii. any of the following situations apply:

(1) the payment is made after the ninth year that follows the year in which the plan was entered into and each individual, other than a deceased individual, who is or was a beneficiary under the plan has attained 21 years of age before the payment is made and is not, when the payment is made, eligible under the plan to receive an educational assistance payment,

(2) the payment is made in the year in which the plan must be terminated in accordance with paragraph *h*, or

(3) each individual who was a beneficiary under the plan is deceased when the payment is made;”;

(2) by striking out “and is not a prescribed tax-exempt person” in paragraph *f*;

(3) by striking out subparagraph i of paragraph *f.1*;

(4) by replacing subparagraph 1 of subparagraph ii of paragraph *f.1* by the following subparagraph:

“(1) enrolled in a prescribed educational program as a full-time or part-time student at a prescribed post-secondary educational institution, or”;

(5) by replacing “in paragraph *b*” in subparagraph 2 of subparagraph ii of paragraph *f.1* by “in subparagraph *b* of the first paragraph”;

(6) by replacing subparagraph iii of paragraph *f.1* by the following subparagraph:

“iii. the individual has satisfied the conditions set out in subparagraphs i and ii throughout at least 13 consecutive weeks in the 12-month period that ends at that time, or the total of the payment and all other educational assistance payments made under a registered educational savings plan of the promoter to or on behalf of the individual in the 12-month period that ends at that time does not exceed \$5,000 or such greater amount as the Minister responsible for the administration of the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26) approves in writing in respect of the individual;”;

(7) by replacing paragraphs *g* and *h* by the following paragraphs:

“(g) the plan provides that no contribution, other than a contribution made by way of transfer from another registered education savings plan, may be made into the plan

i. in the case of a specified plan, after the twenty-fifth year following the year in which the plan is entered into, and

ii. in any other case, after the twenty-first year following the year in which the plan is entered into;

“(h) the plan provides that it must be terminated on or before the last day of

i. in the case of a specified plan, the thirtieth year following the year in which the plan is entered into, and

ii. in any other case, the twenty-fifth year following the year in which the plan is entered into;”;

(8) by replacing paragraph *k* by the following paragraph:

“(k) the plan provides that the promoter shall, within 90 days after an individual becomes a beneficiary under the plan, notify in writing the individual or, if the individual is under 19 years of age at that time and either ordinarily

resides with a parent of the individual or is maintained by a public primary caregiver of the individual, that parent or public primary caregiver, of the existence of the plan and the name and address of the subscriber in respect of the plan;”.

(2) Paragraphs 1, 4, 6 and 8 of subsection 1 have effect from 15 December 2004. However, when subparagraph 2 of subparagraph iii of paragraph *c.1* of section 895 of the Act applies to a taxation year that precedes the taxation year 2005, it reads as follows:

“(2) the payment is made in the twenty-fifth year following the year in which the plan is entered into, or”.

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 2004.

(4) Paragraph 5 of subsection 1 applies from the taxation year 2006.

(5) Paragraph 7 of subsection 1 applies from the taxation year 2005.

**210.** (1) Section 895.0.1 of the Act is replaced by the following section:

“**895.0.1.** The Minister may, on written application of the promoter of a registered education savings plan, waive the application of the conditions set out in subparagraph 1 of subparagraph iii of paragraph *c.1* of section 895 in respect of the plan if a beneficiary under the plan suffers from a severe and prolonged mental impairment that prevents, or can reasonably be expected to prevent, the beneficiary from enrolling in a prescribed educational program at a prescribed post-secondary educational institution.”

(2) Subsection 1 has effect from 15 December 2004.

**211.** (1) The Act is amended by inserting the following section after section 895.0.1:

“**895.0.2.** For the purposes of subparagraph iii of paragraph *f.1* of section 895, a reference to an amount that the Minister responsible for the administration of the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26) approves in writing in respect of an individual is a reference to an amount that the Minister of Human Resources Development or the Minister of State to be styled Minister of Human Resources and Skills Development has approved in writing in respect of the individual before the day on which a Minister is designated as responsible for the administration of that Act.”

(2) Subsection 1 has effect from 15 December 2004.

**212.** (1) Section 895.1 of the Act is amended by replacing paragraph *a* by the following paragraph:

“(a) for the purposes of this section, the definition of “specified plan” in section 890.15 and paragraphs c.1, g and h of section 895, the transferee plan is deemed to have been entered into on the day on which the transferee plan was entered into or, if it is earlier, on the day on which the transferor plan was entered into; and”.

(2) Subsection 1 has effect from 15 December 2004. However, when paragraph a of section 895.1 of the Act applies after 14 December 2004 to a taxation year before the taxation year 2005, it reads as if “, the definition of “specified plan” in section 890.15” was struck out.

**213.** (1) Section 898.1 of the Act is replaced by the following section:

**“898.1.** If on a particular day a registered education savings plan is revocable or ceases to comply with any provision of the plan or with the conditions set out in section 895 for the plan’s registration or a person fails to comply with a condition or obligation imposed under the Canada Education Savings Act (Statutes of Canada, 2004, chapter 26) or under a program administered pursuant to an agreement entered into under section 12 of that Act that applies in respect of a registered education savings plan, the Minister may send written notice to the promoter of the plan that the Minister proposes to revoke the registration of the plan as of the day specified in the notice, which day shall not be earlier than the particular day.”

(2) Subsection 1 has effect from 15 December 2004.

**214.** (1) Section 965.1 of the Act is amended by replacing “paragraphs k.1 to k.5” in paragraph j by “paragraph k.0.1”.

(2) Subsection 1 applies from the taxation year 2005.

**215.** (1) Section 985.1 of the Act is amended

(1) by inserting the following paragraphs after paragraph a:

“(a.0.1) “enduring property” of a registered charity has the meaning assigned by section 985.1.0.1;

“(a.0.2) “capital gains pool” of a registered charity for a taxation year has the meaning assigned by section 985.1.0.2;”;

(2) by replacing paragraph a.1 by the following paragraph:

“(a.1) “disbursement quota” for a taxation year of a registered charity means the amount determined for the year in respect of the charity under sections 985.9 to 985.9.4;”.

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004.



**216.** (1) The Act is amended by inserting the following sections after section 985.1:

**“985.1.0.1.** Enduring property of a registered charity means

(a) a gift received by the charity by way of legacy or inheritance, including a gift deemed by section 752.0.10.10.3 or 752.0.10.10.5;

(b) if the charity is a charitable organization, a gift from another registered charity, other than a gift described in paragraph *d* or received from another charity in respect of which more than 50% of the members of the board of directors do not deal at arm’s length with each member of the board of directors of the charitable organization, that is subject to a trust clause or a direction to the effect that the property given, or property substituted for the gift,

i. is to be held by the charitable organization for a period of not more than five years from the date that the gift was received by the charitable organization, and

ii. is to be expended in its entirety over the period referred to in the trust clause or the direction

(1) to acquire a corporeal capital property of the charitable organization to be used directly in charitable activities or administration,

(2) in the course of a program of charitable activities of the charitable organization that could not reasonably be completed before the end of the first taxation year of the charitable organization ending after the taxation year in which the gift was received, or

(3) for the uses described in subparagraphs 1 and 2;

(c) a gift received by the charity, in this section referred to as the “original recipient charity”, other than a gift received from another charity, that is subject to a trust clause or a direction to the effect that the property given, or property substituted for the gift, is to be held by the original recipient charity or by another registered charity, in this section referred to as the “transferee”, for a period of not less than 10 years from the date that the gift was received by the original recipient charity, except that the trust clause or the direction may allow the original recipient charity or the transferee to expend the property before the end of that period to the extent of the amount that is for a taxation year, in respect of the original recipient charity or transferee, the amount determined under subparagraph *b.1* of the second paragraph of section 985.9; or

(d) a gift received by the charity as a transferee from an original recipient charity or another transferee of the property that was, before that gift was so received, an enduring property of the original recipient charity or of the other

transferee because of paragraph *a* or *c* or this paragraph, or property substituted for the gift, if, in the case of a property that was an enduring property of an original recipient charity because of paragraph *c*, the gift is subject to the same terms and conditions under the trust clause or the direction as applied to the gift to the original recipient charity.

**“985.1.0.2.** A capital gains pool of a registered charity for a taxation year means the amount by which the aggregate of all amounts each of which is the amount of a capital gain of the charity from the disposition of an enduring property after 22 March 2004 and before the end of the taxation year, other than a capital gain from a disposition of a legacy or an inheritance received by the charity in a taxation year that included any time before 1 January 1994, that is declared by the charity in an information return filed under section 985.22 for the taxation year during which the disposition occurred, exceeds the amount determined under the second paragraph.

The amount to which the first paragraph refers is equal to the aggregate of all amounts each of which is the amount, determined for a preceding taxation year of the charity that began after 22 March 2004, that is the lesser of the aggregate of the amounts determined in accordance with subparagraphs *i* and *ii* of subparagraph *a.1* of the second paragraph of section 985.9 and the amount claimed by the charity in accordance with the third paragraph of section 985.9.”

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004.

**217.** (1) Section 985.6 of the Act is replaced by the following section:

**“985.6.** The Minister may, in the manner described in sections 1064 and 1065, revoke the registration of a charitable organization if the organization

(*a*) carries on a business that is not a related business; or

(*b*) fails to expend in any taxation year, on charitable activities carried on by it or by way of gifts made by it to qualified donees, amounts that are at least equal to the organization’s disbursement quota for the year.”

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004. However, when paragraph *b* of section 985.6 of the Act applies to a taxation year, beginning before 1 January 2009, of a charitable organization registered by the Minister of Revenue before 23 March 2004, it reads as follows:

“(*b*) fails to expend in any taxation year, on charitable activities carried on by it or by way of gifts made by it to qualified donees, amounts that are at least equal to the aggregate of the amounts determined in respect of the organization for the year in accordance with subparagraphs *a*, *a.1* and *b* of the second paragraph of section 985.9.”

**218.** (1) Section 985.8.1 of the Act is replaced by the following section:

**“985.8.1.** The Minister may, in the manner described in sections 1064 and 1065, revoke the registration

(a) of a registered charity, if the registered charity has made a gift to another registered charity and it can reasonably be considered that one of the main purposes of making the gift was to unduly delay the expenditure of amounts on charitable activities;

(b) of the other charity referred to in paragraph *a*, if it can reasonably be considered that, by accepting the gift, it acted in concert with the charity to which paragraph *a* applies; and

(c) of a registered charity, if a false statement, within the meaning assigned by the first paragraph of section 1049.0.3, was made in circumstances amounting to culpable conduct, within the meaning assigned by that first paragraph, in the furnishing of information for the purpose of obtaining registration of the charity.”

(2) Subsection 1 applies in respect of a notice issued by the Minister of Revenue after 12 June 2005.

**219.** (1) The Act is amended by inserting the following after section 985.8.1:

**“DIVISION III.0.1**

**“TEMPORARY SUSPENSION OF THE AUTHORITY TO ISSUE RECEIPTS**

**“985.8.2.** The Minister may give notice by registered mail to a registered charity that the authority of the charity to issue receipts in accordance with the regulations is suspended for one year from the eighth day after the notice is mailed if

(a) the charity contravenes any of the provisions of Division V of Chapter III of the Act respecting the Ministère du Revenu (chapter M-31); or

(b) it may reasonably be considered that the charity has acted, in concert with another charity that is the subject of a suspension under this section, to accept a gift or transfer of property on behalf of that other charity.

**“985.8.3.** Subject to section 93.1.9.2 of the Act respecting the Ministère du Revenu (chapter M-31), the following rules apply if the Minister has issued a notice to a registered charity under section 985.8.2:

(a) the charity is deemed, in respect of gifts made and property transferred to the charity within the one-year period that begins on the day that is seven days after the notice is mailed, not to be a donee described in paragraph *a* of section 710 or in the definition of “total charitable gifts” in the first paragraph of section 752.0.10.1, for the purposes of

- i. sections 710 and 752.0.10.1,
- ii. the definitions of “qualified donee” and “registered charity” in section 1, and
- iii. the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1); and

(b) if the charity is, during that period, offered a gift from any person, the charity shall, before accepting the gift, inform that person that it has received the notice, that no deduction under section 710 or tax credit under section 752.0.10.6 may be claimed in respect of a gift made to it in the period, and that a gift made in the period is not a gift to a qualified donee.

**“985.8.4.** If the authority to issue receipts is suspended for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under subsection 2 of section 188.2 of that Act, the authority is deemed to be suspended for the purposes of this Act and the regulations, subject to a postponement of the period of suspension under subsection 4 of that section 188.2.

#### **“DIVISION III.0.2**

#### **“REFUSAL OR ANNULMENT OF REGISTRATION**

**“985.8.5.** The Minister may refuse to register a person as a registered charity.

The Minister shall so notify the person by registered mail.

**“985.8.6.** The Minister may annul the registration of a person as a registered charity if the registration was granted in error or the person has, solely as a result of a change in law, ceased to be a charity, and the registration is deemed never to have been granted.

The Minister shall so notify the person by registered mail.

**“985.8.7.** A receipt issued in accordance with the regulations by a person before the annulment of the person’s registration under section 985.8.6 or subsection 23 of section 149.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) is deemed to be a valid receipt if the receipt would have been valid had the person been a registered charity at the time the receipt was issued.”

(2) Subsection 1, when it enacts Division III.0.1 of Chapter III.1 of Title I of Book VIII of Part I of the Taxation Act, applies to a taxation year that begins after 22 March 2004.

(3) Subsection 1, when it enacts Division III.0.2 of Chapter III.1 of Title I of Book VIII of Part I of the Taxation Act, applies in respect of a notice issued after 12 June 2005.

**220.** (1) Section 985.9 of the Act is replaced by the following section:

**“985.9.** The amount referred to in paragraph *a.1* of section 985.1 for a taxation year in respect of a registered charity is equal to the amount determined by the formula

$$A + B + C + D.$$

In the formula in the first paragraph,

(*a*) A is 80% of the aggregate of all amounts each of which is the eligible amount of a gift, other than a gift referred to in section 985.9.1, for which the charity issued a receipt described in section 712 or 752.0.10.3 in its preceding taxation year;

(*b*) B is the amount by which the amount determined in the third paragraph is exceeded by the aggregate of

i. 80% of the aggregate of all amounts each of which is the amount of an enduring property of the charity, other than such a property described in subparagraph ii or received by the charity as a specified gift, or a legacy or an inheritance received by the charity in a taxation year that included any time before 1 January 1994, to the extent that it is expended in the year, and

ii. the aggregate of all amounts each of which is the fair market value, when transferred, of an enduring property, other than such a property that was received by the charity as a specified gift, transferred by the charity in the year by way of gift to a qualified donee;

(*c*) C is

i. in the case of a private foundation, the aggregate of all amounts each of which is an amount received by it in its preceding taxation year from a registered charity, other than an amount that is a specified gift or an enduring property, or

ii. in the case of a charitable organization or a public foundation, 80% of the aggregate of all amounts each of which is an amount received by it in its preceding taxation year from a registered charity, other than an amount that is a specified gift or an enduring property; and

(*d*) D is the amount determined by the formula

$$E \times 0.035 [F - (G + H)] / 365.$$

The amount to which subparagraph *b* of the second paragraph refers is the amount, claimed by the charity, that may not exceed the lesser of

i. 3.5% of the amount determined in subparagraph *b* of the fourth paragraph, and

ii. the capital gains pool of the charity for the year.

In the formula in subparagraph *d* of the second paragraph,

(*a*) *E* is the number of days in the taxation year;

(*b*) *F* is

i. the prescribed amount for the year, in respect of all or a portion of a property, other than a prescribed property, owned by the charity at any time in the 24 months immediately preceding the year that was not used directly in charitable activities or administration, if that amount is greater than \$25,000, and

ii. in any other case, nil;

(*c*) *G* is the aggregate of the amount determined for the year in respect of the charity in accordance with subparagraph ii of subparagraph *b* of the second paragraph, and 5/4 of the aggregate of the amounts determined in accordance with subparagraph *a* of the second paragraph and subparagraph i of subparagraph *b* of the second paragraph; and

(*d*) *H* is

i. in the case of a private foundation, the amount determined for the year in accordance with subparagraph i of subparagraph *c* of the second paragraph in respect of the charity, or

ii. in the case of a charitable organization or a public foundation, 5/4 of the amount determined for the year in accordance with subparagraph ii of subparagraph *c* of the second paragraph in respect of the charity.”

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004. However, when section 985.9 of the Act applies to a taxation year, beginning before 1 January 2009, of a charitable organization registered by the Minister of Revenue before 23 March 2004, the amount claimed by the charitable organization under the third paragraph of that section is deemed to be equal to zero.

**221.** (1) Section 985.9.1 of the Act is replaced by the following section:

“**985.9.1.** The gifts to which subparagraph *a.1* of the second paragraph of section 985.9 refers are

(a) a gift of an enduring property; and

(b) a gift received by the charity from another registered charity.”

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004.

**222.** (1) Section 985.9.1.1 of the Act is amended by replacing “paragraph *a* of section 985.9” by “subparagraph *a* of the second paragraph of section 985.9”.

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004.

**223.** (1) Sections 985.9.2 and 985.9.3 of the Act are repealed.

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004.

**224.** (1) Section 985.9.4 of the Act is amended by replacing the portion before paragraph *b* by the following:

“**985.9.4.** For the purposes of subparagraph *i* of subparagraph *b* of the fourth paragraph of section 985.9, the Minister may

(a) authorize a change in the number of periods chosen by a charity in determining the prescribed amount; and”.

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004.

**225.** (1) Section 985.21 of the Act is replaced by the following section:

“**985.21.** For the purposes of section 985.20, “disbursement excess” of a charity for a taxation year means the amount by which the aggregate of the amounts expended in the year by the charity on charitable activities carried on by it or by way of gifts made by it to qualified donees exceeds its disbursement quota for the year.”

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004. However, when section 985.21 of the Act applies to a taxation year, beginning before 1 January 2009, of a charitable organization registered by the Minister of Revenue before 23 March 2004, it reads as follows:

“**985.21.** For the purposes of section 985.20, “disbursement excess” of a charity for a taxation year means the amount by which the aggregate of the amounts expended in the year by the charity on charitable activities carried on by it or by way of gifts made by it to qualified donees exceeds, in the case of a charitable foundation, its disbursement quota for the year or, in the case of a charitable organization, the aggregate of the amounts determined in its respect for the year in accordance with subparagraphs *a*, *a.1* and *b* of the second paragraph of section 985.9.”

**226.** (1) Section 985.25 of the Act is amended by replacing paragraph *b* by the following paragraph:

“(b) Division V of Chapter III and sections 93.1.9.1, 93.1.9.2, 93.1.10.1 and 93.1.17 to 93.1.22 of the Act respecting the Ministère du Revenu (chapter M-31).”

(2) Subsection 1 has effect from 13 June 2005.

**227.** (1) Section 985.27 of the Act is amended by replacing the definition of “disbursement quota” by the following definition:

““disbursement quota” of a recognized arts organization for a taxation year means an amount equal to the amount determined in accordance with sections 985.9 to 985.9.4 as if the recognized arts organization were a charity registered as a charitable organization;”.

(2) Subsection 1 applies to a taxation year that begins after 12 November 2004. However, when section 985.27 of the Act applies in respect of computing the disbursement quota for a taxation year, beginning before 1 January 2009, of an arts organization recognized by the Minister of Revenue before 13 November 2004, the amount claimed by that organization under the third paragraph of section 985.9 of the Act is deemed to be equal to zero.

**228.** (1) Section 985.35 of the Act is replaced by the following section:

“**985.35.** Sections 985.8.2 to 985.8.4 and 1063 to 1065, and Division V of Chapter III and sections 93.1.9.1, 93.1.9.2, 93.1.10.1 and 93.1.17 to 93.1.22 of the Act respecting the Ministère du Revenu (chapter M-31) apply, with the necessary modifications, to a recognized arts organization as if it were a registered charity.”

(2) Subsection 1 applies to a taxation year that begins after 12 November 2004. However, when section 985.35 of the Act applies in respect of a notice issued by the Minister of Revenue before 12 January 2006, it reads as follows:

“**985.35.** Sections 985.8.2 to 985.8.4, 1063, 1064, section 1065 as it read before being amended by section 295 of chapter 38 of the statutes of 2005, Division V of Chapter III of the Act respecting the Ministère du Revenu (chapter M-31), section 93.1.9.1 of that Act when it refers to the notice provided for in section 985.8.2, section 93.1.9.2 of that Act, section 93.1.15 of that Act as it read before being amended by section 342 of chapter 38 of the statutes of 2005 and sections 93.1.17 to 93.1.22 of that Act apply, with the necessary modifications, to a recognized arts organization as if it were a registered charity.”

**229.** (1) Section 985.36 of the Act is amended by replacing the definition of “disbursement quota” in the first paragraph by the following definition:



““disbursement quota” of a recognized political education organization for a taxation year means an amount equal to the amount determined in accordance with sections 985.9 to 985.9.4 as if the recognized political education organization were a charity registered as a charitable organization;”.

(2) Subsection 1 applies to a taxation year that begins after 12 November 2004. However, when section 985.36 of the Act applies in respect of computing the disbursement quota for a taxation year, beginning before 1 January 2009, of a political education organization recognized by the Minister of Revenue before 13 November 2004, the amount claimed by that organization under the third paragraph of section 985.9 of the Act is deemed to be equal to zero.

**230.** (1) Section 985.44 of the Act is replaced by the following section:

**“985.44.** Sections 985.8.2 to 985.8.4 and 1063 to 1065, and Division V of Chapter III and sections 93.1.9.1, 93.1.9.2, 93.1.10.1 and 93.1.17 to 93.1.22 of the Act respecting the Ministère du Revenu (chapter M-31) apply, with the necessary modifications, to a recognized political education organization as if it were a registered charity.”

(2) Subsection 1 applies to a taxation year that begins after 12 November 2004. However, when section 985.44 of the Act applies in respect of a notice issued by the Minister of Revenue before 12 January 2006, it reads as follows:

**“985.44.** Sections 985.8.2 to 985.8.4, 1063, 1064, section 1065 as it read before being amended by section 295 of chapter 38 of the statutes of 2005, Division V of Chapter III of the Act respecting the Ministère du Revenu (chapter M-31), section 93.1.9.1 of that Act when it refers to the notice provided for in section 985.8.2, section 93.1.9.2 of that Act, section 93.1.15 of that Act as it read before being amended by section 342 of chapter 38 of the statutes of 2005 and sections 93.1.17 to 93.1.22 of that Act apply, with the necessary modifications, to a recognized political education organization as if it were a registered charity.”

**231.** (1) The Act is amended by inserting the following section after section 1010.0.3:

**“1010.0.4.** Despite the expiration of the time limits provided for in section 1010, if section 766.2 or 1029.8.50 applied in respect of an individual for a particular taxation year, in relation to an eligible taxation year of the individual, the Minister may redetermine the tax, interest and penalties payable by the individual for the particular taxation year or the amount deemed to have been paid under section 1029.8.50 on account of the individual’s tax payable for that particular year, as the case may be, and make a reassessment for that particular year for the sole purpose of taking into account elements that may be considered to relate to an assessment, reassessment or notification that no tax is payable in relation to that eligible taxation year.”

(2) Subsection 1 applies from the taxation year 2004.

**232.** (1) Section 1012.1 of the Act, amended by section 139 of chapter 23 of the statutes of 2005, is again amended by inserting the following paragraph after paragraph *b.1*:

“(b.1.0.1) section 336.6 in respect of the unused portion of the total investment expense, within the meaning of section 336.5, for a subsequent taxation year;”.

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

**233.** (1) Section 1015 of the Act, amended by section 127 of chapter 9 of the statutes of 2001 and by section 140 of chapter 23 of the statutes of 2005, is again amended by inserting the following subparagraph after subparagraph *e* of the second paragraph:

“(e.0.1) an amount described in paragraph *c.1* of section 311;”.

(2) Subsection 1 applies from the taxation year 2006.

**234.** (1) Section 1029.6.0.0.1 of the Act, amended by section 212 of chapter 1 of the statutes of 2005 and by section 141 of chapter 23 of the statutes of 2005, is again amended by replacing the third paragraph by the following paragraph:

“Subject to subparagraph *b* of the second paragraph, when that subparagraph *b* refers to Division II.6.0.0.1, and subparagraphs *c* to *f* of the second paragraph, government assistance includes the amount of any financial contribution in respect of a property that is a Québec film production, within the meaning of the first paragraph of section 1029.8.34, a qualified production, within the meaning of the first paragraph of section 1029.8.36.0.0.1 or 1029.8.36.0.0.4, a qualified low-budget production, within the meaning of the first paragraph of section 1029.8.36.0.0.4, a qualified sound recording, within the meaning of the first paragraph of section 1029.8.36.0.0.7, a qualified performance, within the meaning of the first paragraph of section 1029.8.36.0.0.10, an eligible work or an eligible group of works, within the meaning of the first paragraph of section 1029.8.36.0.0.13, that a corporation has received, is entitled to receive or may reasonably expect to receive from a government, municipality or other public authority, or a person or partnership that pays that contribution in circumstances where it is reasonable to conclude that the person or partnership would not have paid the contribution but for an amount that the person or partnership or another person or partnership received from a government, municipality or other public authority, excluding an amount that is income from the operation of the property.”

(2) Subsection 1 applies in respect of

(1) subject to subsection 4, a property that is a Québec film production, within the meaning of section 1029.8.34 of the Act, for which an application for an advance ruling or, in the absence of such an application, an application

for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003, or, despite the filing of an application for an advance ruling with the Société de développement des entreprises culturelles before 1 May 2003, the Société de développement des entreprises culturelles considers that the work surrounding the property was not sufficiently advanced on 11 March 2003;

(2) a property that is a qualified production, within the meaning of the first paragraph of section 1029.8.36.0.0.1 of the Act, for which an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003; or

(3) a property that is a qualified production or a qualified low-budget production, within the meaning of the first paragraph of section 1029.8.36.0.0.4 of the Act, a qualified sound recording, within the meaning of the first paragraph of section 1029.8.36.0.0.7 of the Act, a qualified performance, within the meaning of the first paragraph of section 1029.8.36.0.0.10 of the Act, for a period referred to in paragraphs *a* to *c* of the definition of “qualified performance” in that first paragraph, an eligible work, a work that is part of an eligible group of works or an eligible group of works, within the meaning of the first paragraph of section 1029.8.36.0.0.13 of the Act, for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003, or, despite the filing of an application for an advance ruling with the Société de développement des entreprises culturelles before 1 May 2003, the Société de développement des entreprises culturelles considers that the work surrounding the property was not sufficiently advanced on 11 March 2003.

(3) Despite paragraph 3 of subsection 2, if the third paragraph of section 1029.6.0.0.1 of the Act applies to a taxation year for which a corporation first files with the Minister of Revenue, before 12 December 2003, the prescribed form containing the prescribed information provided for in the first paragraph of section 1029.8.36.0.0.14 of the Act, it reads as if “an eligible group of works” was replaced by “a work that is part of an eligible group of works”.

(4) Subsection 1 does not apply in respect of a property that is an episode or broadcast that is part of a series if an application for an advance ruling or, in the absence of such an application, an application for a certificate has been filed with the Société de développement des entreprises culturelles before 1 May 2003 in respect of an episode or broadcast of that series and the Société de développement des entreprises culturelles considers that the work surrounding an episode or broadcast of that series was sufficiently advanced on 11 March 2003.

**235.** (1) Section 1029.6.0.6 of the Act, amended by section 214 of chapter 1 of the statutes of 2005, is again amended

(1) by replacing subparagraphs *a* to *i* of the third paragraph by the following subparagraphs:

“(a) the amounts of \$550 and \$450 mentioned in section 1029.8.61.64;

“(b) the amount of \$20,000 mentioned in section 1029.8.61.64;

“(c) the amount of \$6,275 mentioned in section 1029.8.67;

“(d) the amounts between \$28,705 and \$79,725 mentioned in section 1029.8.80;

“(e) the amounts between \$28,705 and \$76,535 mentioned in section 1029.8.80.3;

“(f) the amount of \$27,635 mentioned in sections 1029.8.101 and 1029.8.110;

“(g) the amounts of \$110 and \$163, wherever they are mentioned in section 1029.8.105;

“(h) the amounts of \$15 and \$38, wherever they are mentioned in section 1029.8.114;

“(i) the amount of \$6,275 mentioned in section 1029.8.116.1.”;

(2) by adding the following subparagraphs after subparagraph *i* of the third paragraph:

“(j) the amount of \$2,500 mentioned in section 1029.8.117;

“(k) the amount of \$750 mentioned in section 1029.8.118; and

“(l) the amount of \$18,600 mentioned in section 1029.8.118.”;

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

“For the purposes of the first paragraph in respect of an amount to be used for the taxation year 2005, the amounts referred to in subparagraphs *c* to *i* and *l* of the third paragraph are deemed to be the amounts used for the taxation year 2004.”

(2) Subsection 1 applies from the taxation year 2005. However, when the third paragraph of section 1029.6.0.6 of the Act applies

(1) to the taxation year 2005, it reads without reference to subparagraphs *a*, *b*, *j* and *k*;

(2) to the taxation year 2006, it reads without reference to subparagraphs *a* and *b*.

**236.** (1) Section 1029.6.0.7 of the Act, replaced by section 216 of chapter 1 of the statutes of 2005, is again replaced by the following section:

**“1029.6.0.7.** If the amount that results from the adjustment provided for in section 1029.6.0.6, in respect of the amounts mentioned in subparagraphs *b* to *f*, *i*, *j* and *l* of the third paragraph of that section, is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.

If the amount that results from the adjustment provided for in section 1029.6.0.6, in respect of the amounts mentioned in subparagraphs *a*, *g*, *h* and *k* of the third paragraph of that section, is not a multiple of \$1, it shall be rounded to the nearest multiple of \$1 or, if it is equidistant from two such multiples, to the higher thereof.”

(2) Subsection 1 applies from the taxation year 2005. However, when section 1029.6.0.7 of the Act applies

(1) to the taxation year 2005, it reads as follows:

**“1029.6.0.7.** If the amount that results from the adjustment provided for in section 1029.6.0.6, in respect of the amounts mentioned in subparagraphs *c* to *f*, *i* and *l* of the third paragraph of that section, is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.

If the amount that results from the adjustment provided for in section 1029.6.0.6, in respect of the amounts mentioned in subparagraphs *g* and *h* of the third paragraph of that section, is not a multiple of \$1, it shall be rounded to the nearest multiple of \$1 or, if it is equidistant from two such multiples, to the higher thereof.”; and

(2) to the taxation year 2006, it reads as follows:

**“1029.6.0.7.** If the amount that results from the adjustment provided for in section 1029.6.0.6, in respect of the amounts mentioned in subparagraphs *c* to *f*, *i*, *j* and *l* of the third paragraph of that section, is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher thereof.

If the amount that results from the adjustment provided for in section 1029.6.0.6, in respect of the amounts mentioned in subparagraphs *g*, *h* and *k* of the third paragraph of that section, is not a multiple of \$1, it shall be rounded to the nearest multiple of \$1 or, if it is equidistant from two such multiples, to the higher thereof.”

**237.** (1) Section 1029.8.33.12 of the Act is amended, in the definition of “qualified expenditure”,

(1) by replacing subparagraphs i to iv of paragraph *a* by the following subparagraphs:

- “i. section 59 of the Act respecting parental insurance (chapter A-29.011),
- “ii. section 39.0.2 of the Act respecting labour standards (chapter N-1.1),
- “iii. section 34 of the Act respecting the Régie de l’assurance maladie du Québec (chapter R-5),
- “iv. section 52 of the Act respecting the Québec Pension Plan (chapter R-9), and”;

(2) by adding the following subparagraph after subparagraph iv of paragraph *a*:

“v. section 68 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23);”;

(3) by replacing “in subparagraphs ii to iv” in paragraph *b* by “in subparagraphs i and iii to v”.

(2) Subsection 1 applies from the taxation year 2006.

**238.** (1) Section 1029.8.33.13 of the Act is amended by replacing subparagraphs *a* to *e* of the third paragraph by the following subparagraphs:

“(a) the aggregate of all amounts paid under the provisions mentioned in subparagraphs iii and iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed in that calendar year by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees;

“(b) the aggregate of all amounts paid under the provisions mentioned in subparagraphs i and v of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded in that calendar year by the eligible taxpayer to eligible employees in

relation to the tips reported by eligible employees to the eligible taxpayer and to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill;

“(c) the amount paid under the provision mentioned in subparagraph ii of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees;

“(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for the taxation year by the eligible employees of the eligible taxpayer in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees, and of any amount paid or payable in respect of the taxation year, under the provisions mentioned in subparagraphs i and iii to v of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the taxation year; and

“(e) the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph *a.1* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees.”

(2) Subsection 1 applies from the taxation year 2006.

**239.** (1) Section 1029.8.33.14 of the Act is amended by replacing subparagraphs *a* to *e* of the fourth paragraph by the following subparagraphs:

“(a) the aggregate of all amounts paid under the provisions mentioned in subparagraphs iii and iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed in that calendar year by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees;

“(b) the aggregate of all amounts paid under the provisions mentioned in subparagraphs i and v of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, other than any amount paid or payable under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded in that calendar year by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership and to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill;

“(c) the amount paid under the provision mentioned in subparagraph ii of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees;

“(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, received or receivable for the fiscal period by the eligible employees of the qualified partnership in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible



employees, and of any amount paid or payable in respect of the fiscal period, under the provisions mentioned in subparagraphs i and iii to v of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, in relation to such indemnities, as if those indemnities had been paid in the fiscal period; and

“(e) the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph *a.1* of the definition of “qualified expenditure” in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year to eligible employees in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to a customer’s bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees.”

(2) Subsection 1 applies from the taxation year 2006.

**240.** (1) Section 1029.8.34 of the Act, amended by section 230 of chapter 1 of the statutes of 2005 and by section 153 of chapter 23 of the statutes of 2005, is again amended

(1) by replacing subparagraph 3 of subparagraph i of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the labour expenditure of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is a qualified labour expenditure of the corporation in respect of the property, for a taxation year that precedes the year, exceeds 250% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 for a taxation year preceding the year by reason of subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, in relation to assistance referred to in subparagraph ii, exceeds”;

(2) by replacing paragraph *a.2* of the definition of “qualified corporation” in the first paragraph by the following paragraph:

“(a.2) a corporation that is the holder of a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission;”;

(3) by inserting the following paragraph after paragraph *a.2* of the definition of “qualified corporation” in the first paragraph:

“(a.3) a corporation that, at any time in the year or during the 24 months preceding the year, is not dealing at arm’s length with another corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission unless the corporation holds, for that year, a qualification certificate issued by the Société de développement des entreprises culturelles to the effect that at least 75% of its production costs for the preceding year were incurred in relation to productions broadcast by unrelated third parties;”;

(4) by striking out the fourth paragraph;

(5) by replacing “sixth” by “fifth” in the following provisions of the first paragraph:

— the portion of subparagraph i of paragraph *b* of the definition of “qualified expenditure for services rendered outside the Montréal area” before subparagraph 1;

— the portion of subparagraph i of paragraph *b* of the definition of “qualified computer-aided special effects and animation expenditure” before subparagraph 1;

— paragraph *a* of the definition of “labour expenditure”;

— the portion of subparagraph i of paragraph *b* of the definition of “qualified labour expenditure” before subparagraph 1.

(2) Paragraphs 2 and 3 of subsection 1 apply to a taxation year that begins after 31 March 2003.

**241.** (1) Section 1029.8.35 of the Act, amended by section 154 of chapter 23 of the statutes of 2005, is again amended by replacing the portion before subparagraph *a* of the first paragraph by the following:

**“1029.8.35.** A corporation that, for a taxation year, is a qualified corporation and encloses with the fiscal return it is required to file for the year under section 1000 the prescribed form containing the prescribed information, a copy of the favourable advance ruling in force or of the unrevoked certificate given or issued by the Société de développement des entreprises culturelles in respect of a property that is a Québec film production and, where the corporation is not dealing at arm’s length with a corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission, a copy of the qualification certificate that was issued for the year to the corporation by the Société de développement des entreprises culturelles, to the effect that at least 75% of its production costs for the preceding taxation year were incurred in relation to productions broadcast by unrelated third parties, is deemed, subject to the second paragraph and sections 1029.8.35.1 to 1029.8.35.3, where the application for an advance ruling has been filed or, in the absence of such an application, where the application for a certificate has been filed in respect of the property with the Société de développement

des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to the aggregate of”.

(2) Subsection 1 applies to a taxation year that begins after 31 March 2003.

**242.** (1) Section 1029.8.36.0.0.4 of the Act, amended by section 232 of chapter 1 of the statutes of 2005 and by section 157 of chapter 23 of the statutes of 2005, is again amended, in the definition of “excluded corporation” in the first paragraph,

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

“(e) holding a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission; or”;

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

“(f) at any time in the year or during the 24 months preceding the year, related to another corporation holding a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission unless the corporation holds, for that year, a qualification certificate issued by the Société de développement des entreprises culturelles to the effect that at least 75% of its production costs for the preceding year were incurred in relation to productions broadcast by unrelated third parties;”.

(2) Subsection 1 applies to a taxation year that begins after 31 March 2003.

**243.** (1) Section 1029.8.36.0.0.5 of the Act is amended, in the first paragraph,

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

**“1029.8.36.0.0.5.** A corporation that, for a taxation year, is a qualified corporation and encloses with the fiscal return it is required to file for the year under section 1000 the prescribed form containing the prescribed information, a copy of the valid favourable advance ruling given or a valid certificate issued by the Société de développement des entreprises culturelles in respect of a property that is a qualified production or a qualified low-budget production and, where the corporation is not dealing at arm's length with a corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission, a copy of the qualification certificate that was issued for the year to the corporation by the Société de développement des entreprises culturelles, to the effect that at least 75% of its production costs for the preceding taxation year were incurred in relation to productions broadcast by unrelated third parties, is deemed, subject to the second paragraph, where the application for an advance ruling has been filed or, in the absence of such an application, where the application for a certificate has been filed in respect of the property with the Société de développement des entreprises culturelles

before the end of the year, to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to”;

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

“ii. 11% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property before 31 December 2004 and 20% of the portion of its qualified labour expenditure for the year in respect of the property, relating to a labour expenditure incurred in respect of the property after 30 December 2004; and”.

(2) Paragraph 1 of subsection 1 applies to a taxation year that begins after 31 March 2003.

(3) Paragraph 2 of subsection 1 has effect from 31 December 2004.

**244.** Section 1029.8.36.0.0.7 of the Act, amended by section 233 of chapter 1 of the statutes of 2005 and by section 158 of chapter 23 of the statutes of 2005, is again amended by striking out the sixth paragraph.

**245.** Section 1029.8.36.0.0.10 of the Act, amended by section 234 of chapter 1 of the statutes of 2005 and by section 159 of chapter 23 of the statutes of 2005, is again amended

(1) by striking out the sixth paragraph;

(2) by replacing “1029.8.36.0.0.1” in the eighth paragraph by “1029.8.36.0.0.11”.

**246.** Section 1029.8.36.0.0.13 of the Act, amended by section 160 of chapter 23 of the statutes of 2005, is again amended by striking out the tenth and eleventh paragraphs.

**247.** (1) Section 1029.8.36.0.3.8 of the Act, amended by section 236 of chapter 1 of the statutes of 2005, is again amended

(1) by inserting “eligible” before “employees of an establishment” in paragraphs *a* and *b* of the definition of “labour expenditure” in the first paragraph;

(2) by inserting “eligible” before “employees of an establishment” in paragraph *c* of the definition of “labour expenditure” in the first paragraph;

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

““eligible employee” for a taxation year means an employee in respect of whom a qualification certificate is issued for the year by Investissement Québec, certifying that the employee is an eligible employee for the purposes of this division;”;

(4) by striking out “qualification” in the following provisions of the first paragraph:

- the portion of the definition of “qualified corporation” before paragraph *a*;
- the definition of “multimedia title”;

(5) by replacing the definition of “eligible production work” in the first paragraph by the following definition:

““eligible production work” relating to a property that is a multimedia title means the work specified in the qualification certificate issued to a corporation in respect of an eligible employee or a person considered to be such an employee for the purposes of this division in the case where a portion of the consideration referred to in paragraph *b* or *c* of the definition of “labour expenditure” is paid to a person or partnership that has no such employees;”;

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

“For the purposes of paragraphs *b* and *c* of the definition of “labour expenditure” in the first paragraph, the following rules apply;”;

(7) by striking out subparagraph *a* of the second paragraph;

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

“(b) the consideration referred to in those paragraphs does not include an amount paid by a corporation to another corporation, to the extent that the amount may reasonably be attributed to eligible production work in respect of a property that was carried out in a taxation year of that other corporation for which that other corporation holds a valid final certificate referred to in the first paragraph of section 1029.8.36.0.3.19 issued to it by Investissement Québec for that year; and”;

(9) by adding the following subparagraph after subparagraph *b* of the second paragraph:

“(c) in the case where a portion of the consideration referred to in those paragraphs is paid to a person or partnership that has no eligible employees, a person is considered to be such an employee for the purposes of those paragraphs if a qualification certificate is issued in respect of the person for the year by Investissement Québec, for the purposes of this division.”;

(10) by striking out the third paragraph.

(2) Subsection 1 applies in respect of a property for which an advance ruling has been given or, in the absence of such a ruling, a certificate has been issued after 30 March 2004.

**248.** (1) Section 1029.8.36.0.3.9 of the Act is amended

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

**“1029.8.36.0.3.9.** A corporation that, for a taxation year, is a qualified corporation and encloses with the fiscal return it is required to file for the year under section 1000 the documents described in the fourth paragraph, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount obtained by applying the appropriate percentage, determined in the third paragraph in relation to the property for the year, to the corporation’s qualified labour expenditure for the year in respect of the property.”;

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

“The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information; and

(b) a copy of the valid favourable advance ruling given or valid certificate issued to the corporation by Investissement Québec in respect of a property that is a multimedia title and a copy of all unrevoked qualification certificates issued for the year to the corporation in respect of eligible employees and persons considered to be such employees for the purposes of this division.”

(2) Subsection 1 applies in respect of a property for which an advance ruling has been given or, in the absence of such a ruling, a certificate has been issued after 30 March 2004.

**249.** (1) Section 1029.8.36.0.3.10 of the Act is amended

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

**“1029.8.36.0.3.10.** Subject to sections 1010 to 1011 and for the purposes of section 1029.8.36.0.3.9, if Investissement Québec replaces or revokes a favourable advance ruling given or a certificate issued to a corporation in respect of a property that is a multimedia title, or a qualification certificate issued to a corporation for a taxation year, the following rules apply:”;

(2) by striking out “qualification” wherever it appears in subparagraph *c* of the first paragraph;

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

“(c.1) the replaced qualification certificate is null from the time it was issued or deemed issued and the new qualification certificate is deemed to have been issued at that time for that taxation year; and”;

(4) by replacing subparagraph *d* of the first paragraph by the following subparagraph:

“(d) the revoked favourable advance ruling, revoked qualification certificate or revoked certificate, as the case may be, is null from the time the revocation becomes effective.”;

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

“The revoked favourable advance ruling referred to in the first paragraph is deemed not to have been given as of the effective date specified in the notice of revocation and the revoked qualification certificate or revoked certificate referred to in the first paragraph is deemed not to have been issued as of that date.”

(2) Subsection 1 has effect from 30 March 2004.

**250.** (1) Section 1029.8.36.0.3.18 of the Act, amended by section 237 of chapter 1 of the statutes of 2005, is again amended

(1) by replacing paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph by the following paragraph:

“(a) the salaries or wages attributable to eligible multimedia titles that were incurred by the corporation in the year and paid, in respect of its eligible employees of an establishment situated in Québec, for eligible production work relating to such titles;”;

(2) by inserting “eligible” before “employees of an establishment” in paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph;

(3) by inserting “eligible” before “employees of an establishment” in paragraph *c* of the definition of “qualified labour expenditure” in the first paragraph;

(4) by inserting the following definition in alphabetical order in the first paragraph:

““eligible employee” for a taxation year means an employee in respect of whom a qualification certificate is issued for the year by Investissement Québec, certifying that the employee is an eligible employee for the purposes of this division;”;

(5) by replacing the definition of “eligible production work” in the first paragraph by the following definition:

““eligible production work” relating to an eligible multimedia title means the work specified in the qualification certificate issued to a corporation in respect of an eligible employee or a person considered to be such an employee for the purposes of this division in the case where a portion of the consideration referred to in paragraph *b* or *c* of the definition of “qualified labour expenditure” is paid to a person or a partnership that has no such employees;”;

(6) by striking out subparagraph *a* of the second paragraph;

(7) by adding the following subparagraph after subparagraph *c* of the second paragraph:

“(d) in the case where a portion of the consideration referred to in paragraph *b* or *c* of the definition is paid to a person or partnership that has no eligible employees, a person is considered to be such an employee for the purposes of those paragraphs if a qualification certificate is issued in respect of the person for the year by Investissement Québec, for the purposes of this division.”;

(8) by striking out the third paragraph.

(2) Subsection 1 applies in respect of a corporation for which a final certificate has been issued after 30 March 2004.

**251.** (1) Section 1029.8.36.0.3.19 of the Act is amended

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

**“1029.8.36.0.3.19.** A qualified corporation that, for a taxation year, holds a valid final certificate issued to it for the year by Investissement Québec, certifying that all or substantially all of its activities carried out in the year, in the aggregate of its establishments situated in Québec, consist in producing eligible multimedia titles for itself or on behalf of another person or partnership, and, where applicable, in carrying out scientific research and experimental development connected with such titles, and that encloses with the fiscal return it is required to file for the year under section 1000 the documents described in the fourth paragraph is deemed, subject to the second paragraph, to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for the year under this Part, an amount equal to the amount obtained by applying the appropriate percentage determined in the third paragraph in its respect for the year to its qualified labour expenditure for the year.”;

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

“The documents to which the first paragraph refers are the following:



(a) the prescribed form containing the prescribed information; and

(b) a copy of the valid final certificate issued by Investissement Québec to the corporation and a copy of all unrevoked qualification certificates issued for the year to the corporation in respect of eligible employees and persons considered to be such employees for the purposes of this division.”

(2) Subsection 1 applies in respect of a corporation for which a final certificate has been issued after 30 March 2004.

**252.** (1) Section 1029.8.36.0.3.20 of the Act is amended

(1) by replacing “at that time” at the end of subparagraph *a* of the first paragraph by “at that time for that taxation year”;

(2) by striking out “final” wherever it appears.

(2) Subsection 1 has effect from 30 March 2004.

**253.** Section 1029.8.36.0.3.61 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.

**254.** Section 1029.8.36.0.3.62 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.

**255.** (1) Section 1029.8.36.0.17 of the Act, amended by section 167 of chapter 23 of the statutes of 2005, is again amended by replacing paragraphs *a* and *b* of the definition of “eligible facility” in the first paragraph by the following paragraphs:

“(a) the facility is a prescribed specialized facility that is used in respect of biotechnologies; or

“(b) it is

i. a facility that is set up by the person in the biotechnology development centre outside premises where an exempt corporation or a specified corporation carries on its business, and

ii. a facility that comprises, exclusively or almost exclusively, property each of which

(1) constitutes a specialized property that is used in respect of biotechnologies,

(2) before being set up in the biotechnology development centre, was not used for any purpose whatever or acquired for use for a purpose other than lease, and

(3) is to be leased, on an ad hoc basis, to more than one person;”.

(2) Subsection 1 applies in respect of expenses incurred after 29 March 2001. However, when subparagraph *i* of paragraph *b* of the definition of “eligible facility” in the first paragraph of section 1029.8.36.0.17 of the Act applies in respect of expenses incurred before 31 March 2004, it reads as follows:

“*i.* a facility that is set up by the person in the biotechnology development centre outside premises where an exempt corporation carries on its business, and”.

**256.** Section 1029.8.36.72.1 of the Act is amended by replacing the portion of the definition of “eligible repayment of assistance” in the first paragraph before paragraph *a* by the following:

““eligible repayment of assistance” for a taxation year of a qualified corporation means the aggregate of”.

**257.** Section 1029.8.36.72.2 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.

**258.** Section 1029.8.36.72.3 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.

**259.** Section 1029.8.36.72.15 of the Act, amended by section 193 of chapter 23 of the statutes of 2005, is again amended by replacing the portion of the definition of “eligible repayment of assistance” in the first paragraph before paragraph *a* by the following:

““eligible repayment of assistance” for a taxation year of a qualified corporation means the aggregate of”.

**260.** Section 1029.8.36.72.16 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.

**261.** Section 1029.8.36.72.17 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.

**262.** Section 1029.8.36.72.29 of the Act is amended by replacing the portion of the definition of “eligible repayment of assistance” in the first paragraph before paragraph *a* by the following:

““eligible repayment of assistance” for a taxation year of a qualified corporation means the aggregate of”.

- 263.** Section 1029.8.36.72.30 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 264.** Section 1029.8.36.72.31 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 265.** Section 1029.8.36.72.44 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 266.** Section 1029.8.36.72.45 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 267.** Section 1029.8.36.72.57 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 268.** Section 1029.8.36.72.58 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 269.** Section 1029.8.36.72.61.1 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 270.** Section 1029.8.36.72.61.2 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 271.** Section 1029.8.36.72.82.2 of the Act, amended by section 200 of chapter 23 of the statutes of 2005, is again amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 272.** Section 1029.8.36.72.82.3 of the Act, amended by section 201 of chapter 23 of the statutes of 2005, is again amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 273.** Section 1029.8.36.72.84 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.
- 274.** Section 1029.8.36.72.85 of the Act is amended by replacing “by the qualified corporation” in subparagraph *b* of the first paragraph by “of the qualified corporation”.

**275.** (1) Section 1029.8.36.167 of the Act, amended by section 249 of chapter 1 of the statutes of 2005, is again amended by replacing paragraph *b* of the definition of “total taxes” in the first paragraph by the following paragraph:

“(b) its tax that would be payable for the year under Part IV if that tax were computed without reference to sections 1135.1 and 1135.2;”.

(2) Subsection 1 applies to a taxation year that ends after 21 April 2005.

**276.** (1) Section 1029.8.50 of the Act is replaced by the following section:

**“1029.8.50.** An individual who is resident in Québec on the last day of a particular taxation year and repays, in that year, all or part of an amount that is a benefit received by the individual under the Act respecting parental insurance (chapter A-29.011), the Act respecting the Québec Pension Plan (chapter R-9) or a similar plan within the meaning of that Act, or under the Unemployment Insurance Act (Revised Statutes of Canada, 1985, chapter U-1) or the Employment Insurance Act (Statutes of Canada, 1996, chapter 23) and included by the individual in computing the individual’s income for one or more preceding taxation years, is deemed to have paid to the Minister on the individual’s balance-due day for the particular taxation year, on account of the individual’s tax payable for the particular year under this Part, the aggregate of all amounts each of which is an amount determined, for a preceding taxation year that is an eligible taxation year of the individual, within the meaning of section 766.2.2, to which the amount so repaid relates, in whole or in part, hereinafter called the “taxation year to which the averaging applies”, by the formula

$A - B.$

However, the first paragraph does not apply

(a) in respect of an amount repaid by the individual in the particular year under Part VII of the Unemployment Insurance Act or Part VII of the Employment Insurance Act; and

(b) in respect of an individual who deducts an amount for the particular year under paragraph *d* of section 336 as a repayment of a benefit referred to in the first paragraph.

In the formula in the first paragraph,

(a) *A* is the total of the tax that would have been payable by the individual, for the taxation year to which the averaging applies, under this Part and, if the taxation year to which the averaging applies precedes the year 1998, under Part I.1, as it read for that year, if the aggregate of all amounts each of which is the portion of an amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies, except such an amount that is a repayment referred to in the first paragraph that the individual

makes in the particular year, had been included or deducted in computing the individual's taxable income for the taxation year to which the averaging applies; and

(b) B is the total of the tax that would have been payable by the individual, for the taxation year to which the averaging applies, under this Part and, if the taxation year to which the averaging applies precedes the year 1998, under Part I.1, as it read for that year, if the aggregate of all amounts each of which is the portion of an amount subject to an averaging mechanism, in relation to the individual for the particular taxation year or a preceding taxation year, that relates to the taxation year to which the averaging applies, had been included or deducted in computing the individual's taxable income for the taxation year to which the averaging applies.

For the purposes of the third paragraph, "amount subject to an averaging mechanism", in relation to an individual for a taxation year, means an amount that is received or paid by the individual in the year and that is referred to in any of subparagraphs *a* to *c* of the first paragraph of section 766.2, or an amount paid by the individual in the year and in respect of which the first paragraph applies, except, in respect of a taxation year to which the averaging applies and that ends before 1 January 2003, such an amount received or paid in a taxation year that ends before 1 January 2004.

If the second paragraph of section 22 applies to an individual, the amount that the individual is deemed to have paid to the Minister for the year under the first paragraph shall not exceed such portion of that amount as is represented by the proportion determined in respect of the individual for the year under the second paragraph of section 22.

For the purposes of the first paragraph, if an individual dies or ceases to be resident in Canada in a taxation year, the last day of that taxation year is deemed to be the day on which the individual died or the last day on which the individual was resident in Canada.

In addition, for the purpose of establishing the amount determined by the formula in the first paragraph in respect of a taxation year to which the averaging applies, the following rules apply:

(a) the proportion referred to in the second paragraph of section 22 for the taxation year to which the averaging applies is deemed to be equal to 1; and

(b) if an individual was resident in Canada outside Québec on the last day of the taxation year to which the averaging applies, the individual is deemed to have been resident in Québec on the last day of that year."

(2) Subsection 1 applies from the taxation year 2004. However, when the portion of the first paragraph of section 1029.8.50 of the Act before the formula applies before the taxation year 2006, it reads without reference to "the Act respecting parental insurance (chapter A-29.011)."

**277.** (1) The Act is amended by inserting the following after section 1029.8.50.2, enacted by section 228 of chapter 23 of the statutes of 2005:

**“DIVISION II.8.3**

**“CREDIT RELATING TO THE RETROACTIVE DETERMINATION OF CERTAIN BENEFITS**

**“1029.8.50.3.** If section 766.17 applies to an individual for a taxation year and the amount determined for that year by the formula in the first paragraph of section 766.17 is, without reference to section 7.5, less than zero, the negative amount so computed must be expressed as a positive amount that the individual is deemed to have paid, on the individual’s balance-due day for that year, on account of the individual’s tax payable for that year under this Part.”

(2) Subsection 1 applies from the taxation year 2005.

**278.** (1) Division II.11 of Chapter III.1 of Title III of Book IX of Part I of the Act is repealed.

(2) Subsection 1 applies from the taxation year 2006.

**279.** (1) Section 1029.8.61.1 of the Act, amended by section 253 of chapter 1 of the statutes of 2005, is again amended, in the first paragraph,

(1) by replacing subparagraphs i to iii of paragraph *a* of the definition of “eligible expense” by the following subparagraphs:

“i. section 59 of the Act respecting parental insurance (chapter A-29.011),

“ii. section 34 of the Act respecting the Régie de l’assurance maladie du Québec (chapter R-5),

“iii. section 52 of the Act respecting the Québec Pension Plan (chapter R-9), or”;

(2) by adding the following subparagraph after subparagraph iii of paragraph *a* of the definition of “eligible expense”:

“iv. section 68 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23); or”;

(3) by replacing “1029.8.57” in subparagraph iii of paragraph *a* of the definition of “eligible service” by “1029.8.61.64”.

(2) Subsection 1 applies from the taxation year 2006.

**280.** (1) Section 1029.8.61.1.1 of the Act, amended by section 254 of chapter 1 of the statutes of 2005, is again amended by replacing “1029.8.57” in the second paragraph by “1029.8.61.64”.

(2) Subsection 1 applies from the taxation year 2006.

**281.** (1) Section 1029.8.61.18 of the Act, enacted by section 257 of chapter 1 of the statutes of 2005, is amended by replacing “\$119.22” in subparagraph *b* of the second paragraph by “\$161.50”.

(2) Subsection 1 applies from the taxation year 2006.

**282.** (1) Section 1029.8.61.20 of the Act, enacted by section 257 of chapter 1 of the statutes of 2005, is amended by replacing “\$119.22” in subparagraph *a* of the third paragraph by “\$161.50”.

(2) Subsection 1 applies from the taxation year 2007. In addition, when section 1029.8.61.20 of the Act applies for the taxation year 2006, it reads without reference to subparagraph *a* of the third paragraph.

**283.** Section 1029.8.61.24 of the Act, enacted by section 257 of chapter 1 of the statutes of 2005, is amended

(1) by striking out the third paragraph;

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

“An individual is deemed to have filed an application, in respect of an eligible dependent child, with the Board within the time prescribed in the first paragraph if the registrar of civil status provides the Board with the information required to establish the individual’s eligibility.”

**284.** Section 1029.8.61.26 of the Act, enacted by section 257 of chapter 1 of the statutes of 2005, is amended by inserting “or the registrar of civil status” after “information is communicated by the Minister” in the third paragraph.

**285.** (1) The Act is amended by inserting the following after section 1029.8.61.60, enacted by section 257 of chapter 1 of the statutes of 2005:

### “DIVISION II.11.3

#### “CREDIT FOR INFORMAL CAREGIVERS OF PERSONS OF FULL AGE

##### “§1. — *Interpretation*

“**1029.8.61.61.** In this division,

“eligible relative” of an individual means a person who, during the minimum housing period for a taxation year in relation to the individual, is resident in Canada and

(a) is the child, grandchild, nephew, niece, brother, sister, father, mother, uncle, aunt, grandfather, grandmother, great-uncle or great-aunt of the individual or of the individual’s spouse or any other direct ascendant of the individual or of the individual’s spouse; and

(b) has a severe and prolonged mental or physical impairment the effects of which are such that the person’s ability to perform a basic activity of daily living is markedly restricted, unless the person has reached 70 years of age or over or would have reached that age had the person not died before the end of the year, and is the father, mother, uncle, aunt, grandfather, grandmother, great-uncle or great-aunt of the individual or of the individual’s spouse or any other direct ascendant of the individual or of the individual’s spouse;

“minimum housing period” of a person for a taxation year in relation to an individual is a period of at least

(a) 365 consecutive days commencing in the year or in the preceding year, if

i. the person reached, before the end of the year, 70 years of age or would have reached that age before that time had the person not died in the year, and

ii. the period includes at least 183 days in the year; or

(b) 90 consecutive days included in the year, if

i. the person is, during the period, 18 years of age or over,

ii. the period is included in a period, in this section referred to as the “particular period”, of at least 365 consecutive days commencing in the year or in the preceding year,

iii. the particular period includes at least 183 days in the year,

iv. throughout the particular period, the person ordinarily lives with the individual or another individual in a self-contained domestic establishment and has a severe and prolonged mental or physical impairment the effects of which are such that the person’s ability to perform a basic activity of daily living is markedly restricted, and

v. throughout the period during which the person ordinarily lives in the self-contained domestic establishment with the individual or the other individual,

(1) the self-contained domestic establishment is maintained by the individual or the other individual,



(2) the individual or the individual's spouse or the other individual or the other individual's spouse, as the case may be, is the owner, lessee or sublessee of the self-contained domestic establishment, and

(3) the person is an eligible relative of the individual or of the other individual.

**“1029.8.61.62.** For the purposes of the definition of “eligible relative” in section 1029.8.61.61, a person who, immediately before death, was the spouse of an individual is deemed to be a spouse of the individual.

**“1029.8.61.63.** The first and second paragraphs of section 752.0.17 apply for the purpose of determining whether a person has a severe and prolonged mental or physical impairment the effects of which are such that the person's ability to perform a basic activity of daily living is markedly restricted.

If an individual is deemed to have paid to the Minister an amount under section 1029.8.61.64 for a taxation year in respect of a particular person referred to in paragraph *b* of section 1029.8.61.69, any person referred to in section 1029.8.61.64 or in that paragraph *b* shall, on request in writing by the Minister for information with respect to the particular person's impairment and its effect on the particular person or with respect to the therapy that is, where applicable, required to be administered to the particular person, provide the information so requested in writing.

“§2. — *Credit*

**“1029.8.61.64.** An individual who is resident in Québec at the end of 31 December of a taxation year and who, during the year, is not dependent upon another individual, is deemed to have paid to the Minister, on the individual's balance-due day for that taxation year, on account of the individual's tax payable under this Part for that taxation year, an amount equal to the aggregate of all amounts each of which is, subject to sections 1029.8.61.66 and 1029.8.61.67, an amount determined, in respect of each person who, throughout the minimum housing period of that person for the year in relation to the individual, is an eligible relative of the individual and who, throughout that period, ordinarily lives with the individual in a self-contained domestic establishment which, throughout that period, is maintained by the individual, alone or jointly with another person, and of which the individual or the individual's spouse is, throughout that period, the owner, lessee or sub-lessee, by the formula

$A + B.$

In the formula in the first paragraph,

(a) *A* is an amount of \$550; and

(b) B is an amount equal to the amount by which \$450 exceeds 16% of the income of the eligible relative for the year that exceeds \$20,000.

For the purposes of this section, an individual who was resident in Québec immediately before death is deemed to be resident in Québec at the end of 31 December of the year of the individual's death.

**“1029.8.61.65.** For the purposes of section 1029.8.61.64, a person is dependent upon an individual during a taxation year if that individual is not the person's spouse and has deducted, for the year, in respect of the person, an amount under any of sections 752.0.1 to 752.0.7 and 752.0.11 to 752.0.18.0.1.

**“1029.8.61.66.** The amount determined by the formula in the first paragraph of section 1029.8.61.64, in respect of each person who is an eligible relative of an individual and has reached 18 years of age in a taxation year, and taken into account for the purpose of computing the amount that the individual is deemed to have paid to the Minister under section 1029.8.61.64 for the year on account of the individual's tax payable under this Part is to be replaced by an amount equal to the proportion of that amount that the number of months in the year that follow the month in which that person reaches 18 years of age is of 12.

**“1029.8.61.67.** The amount determined by the formula in the first paragraph of section 1029.8.61.64, in respect of a person who is an eligible relative of an individual, and taken into account for the purpose of computing the amount that the individual is deemed to have paid to the Minister under section 1029.8.61.64 for a taxation year on account of the individual's tax payable under this Part is to be reduced by an amount that is the portion of a last resort financial assistance benefit received in that year by the individual or, as the case may be, by the individual's spouse for the year, in respect of that person, under Chapter I of Title II of the Act respecting income support, employment assistance and social solidarity (chapter S-32.001), that is attributable to the amount of the increase for a dependent child of full age who is handicapped and attends an educational institution at the secondary level in general education provided for in the second paragraph of section 39 of the Regulation respecting income support made by Order in Council 1011-99 dated 1 September 1999, as amended.

**“1029.8.61.68.** No individual may be deemed to have paid to the Minister an amount under section 1029.8.61.64 for a taxation year in respect of a person who is an eligible relative of the individual if the individual, or the person who is the individual's spouse during the minimum housing period of the person for the year in relation to the individual, is exempt from tax for the year under section 982 or 983 or any of subparagraphs *a* to *d* of the first paragraph of section 96 of the Act respecting the Ministère du Revenu (chapter M-31).

**“1029.8.61.69.** No individual may be deemed to have paid to the Minister an amount under section 1029.8.61.64 for a taxation year in respect

of a person unless the individual files with the Minister, together with the fiscal return the individual is required to file under section 1000 for the year, or would be required to file if tax were payable by the individual for the year under this Part, the following documents:

(a) the prescribed form on which

i. the individual certifies that, throughout the minimum housing period of the person for the year in relation to the individual, the individual ordinarily lived with that person in the self-contained domestic establishment referred to in subparagraph ii, and

ii. the individual or the individual's spouse certifies that, throughout the period referred to in subparagraph i, the individual or the individual's spouse maintained a self-contained domestic establishment, alone or jointly with another person, and of which the individual or the individual's spouse, throughout that period, was the owner, lessee or sub-lessee; and

(b) where the person has a severe and prolonged mental or physical impairment the effects of which are such that the person's ability to perform a basic activity of daily living is markedly restricted and the minimum housing period of the person for the year in relation to the individual is the period described in paragraph *b* of the definition of "minimum housing period" in section 1029.8.61.61, the prescribed form on which a physician, within the meaning of section 752.0.18 or, where the person has a sight impairment, a physician or an optometrist, within the meaning of that section, or, where the person has a hearing impairment, a physician or an audiologist, within the meaning of that section, or, where the person has an impairment with respect to the person's ability in walking, or feeding or dressing themselves, a physician or an occupational therapist, within the meaning of that section, or, where the person has an impairment with respect to the person's ability in perceiving, thinking and remembering, a physician or a psychologist, within the meaning of that section, certifies that the person has such a mental or physical impairment.

**"1029.8.61.70.** If, for a taxation year, more than one individual could, but for this section, be deemed to have paid to the Minister an amount under section 1029.8.61.64 for the year in respect of the same person, no amount greater than the amount provided for in that section, for the year, in respect of that person shall be deemed to have been paid to the Minister, for the year, under that section in respect of that person.

If those individuals cannot agree as to what portion of the amount each would, but for this section, be deemed to have paid to the Minister, the Minister may determine that portion of the amount for the year."

(2) Subsection 1 applies from the taxation year 2006.

**286.** (1) Section 1029.8.66.1 of the Act is amended by replacing subparagraphs *a* and *b* of the first paragraph by the following subparagraphs:

“(a) but for paragraph *a* of section 752.0.11.1.3, would be medical expenses referred to in section 752.0.11.1, and are proven by a receipt; or

“(b) but for subparagraph *a* of the second paragraph of section 752.0.13.1, would be travel and lodging expenses referred to in the first paragraph of that section, and for which a physician produces a certificate, within the meaning of section 752.0.18, stating that care equivalent or virtually equivalent to that obtained is not available in Québec within 250 kilometres of the locality where the person undergoing the treatments lives and, where such is the case, that that person is unable to travel unassisted.”

(2) Subsection 1 applies in respect of expenses paid after 21 April 2005.

**287.** (1) Section 1029.8.67 of the Act, amended by section 258 of chapter 1 of the statutes of 2005, is again amended by inserting the following paragraph after paragraph *c* of the definition of “earned income”:

“(c.1) all amounts received by the individual in the year as benefits paid under the Act respecting parental insurance (chapter A-29.011);”.

(2) Subsection 1 applies from the taxation year 2006.

**288.** (1) Section 1029.8.76 of the Act is replaced by the following section:

“**1029.8.76.** The person to whom section 1029.8.68, subparagraphs *a* and *b* of the second paragraph of section 1029.8.70, subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.71 and subparagraph *c* of the second paragraph of section 1029.8.71 refer for a taxation year is an eligible child in respect of whom subparagraphs *a* to *d* of the first paragraph of section 752.0.14 apply for that year.”

(2) Subsection 1 applies from the taxation year 2006.

**289.** (1) Section 1029.8.118 of the Act, amended by section 268 of chapter 1 of the statutes of 2005, is again amended by replacing subparagraph *a* of the second paragraph by the following subparagraph:

“(a) A is the lesser of \$750 and the total of

i. the product obtained by multiplying by the factor specified in the third paragraph for the taxation year the amount determined in accordance with section 752.0.11 for the purpose of computing the tax payable under this Part by the eligible individual for the taxation year, and

ii. 25% of the aggregate of all amounts each of which is an amount deductible under section 358.0.1 in computing the income of the eligible individual for the taxation year; and”.

(2) Subsection 1 applies from the taxation year 2004. However, when the portion of subparagraph *a* of the second paragraph of section 1029.8.118 of the Act before subparagraph *i* applies to the taxation year 2004, it reads as if “\$750” was replaced by “\$500”.

**290.** Section 1039 of the Act is amended by inserting “and experimental development” after “scientific research” in the second paragraph.

**291.** (1) Section 1044 of the Act, amended by section 230 of chapter 23 of the statutes of 2005, is again amended by replacing “*b, b.1*” in the first paragraph by “*b to b.1.0.1*”.

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

**292.** (1) Section 1049 of the Act, amended by section 274 of chapter 1 of the statutes of 2005, is again amended by replacing subparagraph *a* of the second paragraph by the following subparagraph:

“(a) the amount by which the aggregate of the amounts that were not reported by the person in the return and that were required to be included in computing the person’s income for the year exceeds the aggregate of

i. the aggregate of the amounts that were not deducted by the person in computing the person’s income for the year reported by the person in the return, were deductible by the person in computing the person’s income under this Act and were wholly attributable to the amounts that were required to be so included in computing the person’s income, and

ii. the aggregate of the amounts that were not deducted by the person in computing the person’s taxable income for the year reported by the person in the return, were deductible by the person in computing the person’s taxable income under this Act and consist specifically in all or a fraction of the portion of the person’s income for the year represented by the amounts that were required to be so included in computing the person’s taxable income;”.

(2) Subsection 1 applies in respect of a penalty imposed after 12 November 2004. However, when subparagraph *a* of the second paragraph of section 1049 of the Act applies to a taxation year preceding the taxation year 2005, subparagraphs *i* and *ii* of that subparagraph *a* read as if “, or would be deductible, but for the application of Book V.2.1,” was inserted after “this Act”.

**293.** (1) Section 1053 of the Act, amended by section 236 of chapter 23 of the statutes of 2005, is again amended by replacing “*b, b.1*” in the portion before paragraph *a* by “*b to b.1.0.1*”.

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

**294.** (1) Section 1056.4 of the Act is replaced by the following section:

**“1056.4.** The Minister may extend the time for making a prescribed election or grant permission to amend or revoke such an election if

(a) the election was required to be made by a taxpayer or by a partnership on or before a particular day in a taxation year of the taxpayer or a fiscal period of the partnership; and

(b) the taxpayer or the partnership applies, on or before the day that is ten calendar years after the end of the taxation year or the fiscal period, to the Minister for that extension or permission.”

(2) Subsection 1 applies in respect of an application filed after 31 December 2004.

**295.** (1) Section 1065 of the Act is amended by replacing subsection 2 by the following subsection:

“(2) The Minister may publish such notice without delay in the case provided for in paragraph *a* of section 1063; in all other cases, the Minister may publish it upon the expiry of the time limit specified in section 93.1.10.1 or 93.1.15 of the Act respecting the Ministère du Revenu (chapter M-31) for appealing if the decision has not been appealed or after final judgment if it has.”

(2) Subsection 1 applies in respect of a notice issued by the Minister of Revenue after 12 June 2005.

**296.** (1) Section 1065.1 of the Act is replaced by the following section:

**“1065.1.** Despite sections 1063 to 1065, if the registration of a charity is, for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), revoked under subsection 3 of section 168 of that Act, or annulled under subsection 23 of section 149.1 of that Act, the registration of that charity is deemed revoked or annulled for the purposes of this Act and the regulations.”

(2) Subsection 1 has effect from 13 June 2005.

**297.** Section 1086.13 of the Act is amended by striking out the definition of “qualifying trust”.

**298.** Section 1086.15 of the Act is amended by replacing subparagraphs *b* and *d* of the second paragraph by the following subparagraphs:

“(b) B is the aggregate of all amounts paid by the individual on the acquisition of replacement shares in taxation years preceding the particular taxation year referred to in section 1086.14 or within the first 60 days after the end of those years that are included in the particular participation period referred to in section 1086.14;

“(d) D is the aggregate of all amounts paid by the individual on the acquisition of replacement shares in the particular taxation year referred to in section 1086.14 or within the first 60 days after the end of that year that is included in the particular participation period referred to in section 1086.14.”

**299.** Section 1086.16 of the Act is amended by replacing “a qualifying trust in respect of the” by “the”.

**300.** Section 1086.17 of the Act is amended by replacing “a qualifying trust in respect of the” by “the”.

**301.** Section 1086.19 of the Act is amended by striking out the definition of “qualifying trust”.

**302.** Section 1086.21 of the Act is amended by replacing subparagraphs *b* and *d* of the second paragraph by the following subparagraphs:

“(b) B is the aggregate of all amounts paid by the individual on the acquisition of replacement shares in taxation years preceding the particular taxation year referred to in section 1086.20 or within the first 60 days after the end of those years, other than taxation years included in participation periods of the individual that ended before the particular taxation year referred to in section 1086.20;

“(d) D is the aggregate of all amounts paid by the individual on the acquisition of replacement shares in the particular taxation year referred to in section 1086.20 or within the first 60 days after the end of that year, other than a taxation year included in a participation period of the individual that ended before the particular taxation year referred to in section 1086.20.”

**303.** Section 1086.22 of the Act is amended by replacing “a qualifying trust in respect of the” by “the”.

**304.** Section 1086.23 of the Act is amended by replacing “a qualifying trust in respect of the” by “the”.

**305.** (1) Section 1089 of the Act is amended

(1) by replacing “of the individual’s reference period, established under section 69” and “of section 65 of that Act” in subparagraph *b* of the second paragraph by “of a specified period of the individual, established under the fourth paragraph of section 65” and “of that section 65 in respect of that period”, respectively;

(2) by replacing “of the individual’s eligibility period” and “in respect of that employment” in subparagraph *c* of the second paragraph by “of a specified period of the individual” and “in respect of that period”, respectively;

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

“In addition, for the purposes of subparagraphs *b* and *i* of the first paragraph in the case of an individual who is a member of a partnership operating an international financial centre, within the meaning of section 6 of the Act respecting international financial centres, it shall be assumed that the individual had, for the year,

(*a*) realized an additional income from a business the individual carried on in Canada, that is attributable to an establishment in Québec and equal to the second aggregate that is mentioned in the first paragraph of section 52 of that Act and determined in respect of the individual for the year under that paragraph; and

(*b*) sustained an additional loss from a business the individual carried on in Canada, that is attributable to an establishment in Québec and equal to the first aggregate that is mentioned in the first paragraph of section 52 of that Act and determined in respect of the individual for the year under that paragraph.”

(2) Paragraphs 1 and 2 of subsection 1 apply from the taxation year 2004. In addition, when subparagraph *b* of the second paragraph of section 1089 of the Act applies to the taxation year 2003, it reads as if “in respect of that employment” was added after “of section 65 of that Act”.

(3) Paragraph 3 of subsection 1 applies to a taxation year that begins after 30 March 2004.

(4) In addition, for the application of the third paragraph of section 1089 of the Act to an individual for a taxation year that begins before 31 March 2004, if, in that taxation year, the individual is a member of a partnership that, in a fiscal period of the partnership that ends in that taxation year and began after 30 March 2004, operates an international financial centre, that third paragraph reads as follows, subject to subsection 5:

“In addition, for the purposes of the first paragraph in the case of an individual who is a member of a partnership operating an international financial centre, within the meaning of section 1, the following rules apply:

(*a*) if, in the year, the individual is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began before 31 March 2004, operates an international financial centre, 75% or, in the case of a trust, 22.5% of the individual’s share of the income or loss of the partnership from the operations of an international financial centre operated by the partnership is deemed to be nil; and

(*b*) if, in the year, the individual is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began after 30 March 2004, operates an international financial centre,



i. the individual is deemed to have realized, for the year, an additional income from an eligible business the individual carried on in Canada, that is attributable to an establishment in Québec and that is equal to 75% or, in the case of a trust, to 22.5% of the individual's share of the specified loss, within the meaning of section 49 of the Act respecting international financial centres, of the partnership for that fiscal period from the operations of an international financial centre operated by the partnership, and

ii. the individual is deemed to have sustained, for the year, an additional loss from an eligible business the individual carried on in Canada, that is attributable to an establishment in Québec and that is equal to 75% or, in the case of a trust, to 22.5% of the individual's share of the specified income, within the meaning of section 49 of the Act respecting international financial centres, of the partnership for that fiscal period from the operations of an international financial centre operated by the partnership."

(5) When the percentage of 75% or 22.5% provided for in subparagraph *a* of the third paragraph of section 1089 of the Act, enacted by subsection 4, is to be applied to the individual's share of the income or loss of a partnership for a fiscal period of the partnership that ends in a taxation year of the individual and includes 12 June 2003, from the operations of an international financial centre operated by the partnership,

(1) the percentage of 75% is to be replaced by the total of

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

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

(2) the percentage of 22.5% is to be replaced by the total of

(a) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 22.5% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre.

**306.** (1) Section 1090 of the Act is amended

(1) by replacing “of the individual’s reference period, established under section 69” and “of section 65 of that Act” in subparagraph *b* of the second paragraph by “of a specified period of the individual, established under the fourth paragraph of section 65” and “of that section 65 in respect of that period”, respectively;

(2) by replacing “of the individual’s eligibility period” and “in respect of that employment” in subparagraph *c* of the second paragraph by “of a specified period of the individual” and “in respect of that period”, respectively;

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

“In addition, for the purposes of subparagraphs *b* and *i* of the first paragraph in the case of an individual who is a member of a partnership operating an international financial centre, within the meaning of section 6 of the Act respecting international financial centres, it shall be assumed that the individual had, for the year,

(*a*) realized an additional income from a business the individual carried on in Canada, attributable to an establishment in Canada and equal to the second aggregate that is mentioned in the first paragraph of section 52 of that Act and determined in respect of the individual for the year under that paragraph; and

(*b*) sustained an additional loss from a business the individual carried on in Canada, attributable to an establishment in Canada and equal to the first aggregate that is mentioned in the first paragraph of section 52 of that Act and determined in respect of the individual for the year under that paragraph.”

(2) Paragraphs 1 and 2 of subsection 1 apply from the taxation year 2004. In addition, when subparagraph *b* of the second paragraph of section 1090 of the Act applies to the taxation year 2003, it reads as if “in respect of that employment” was added after “of section 65 of that Act”.

(3) Paragraph 3 of subsection 1 applies to a taxation year that begins after 30 March 2004.

(4) In addition, for the application of the third paragraph of section 1090 of the Act to an individual for a taxation year that begins before 31 March 2004, if, in that taxation year, the individual is a member of a partnership that, in a fiscal period of the partnership that ends in that taxation year and began after 30 March 2004, operates an international financial centre, that third paragraph reads as follows, subject to subsection 5:

“In addition, for the purposes of the first paragraph in the case of an individual who is a member of a partnership operating an international financial centre, within the meaning of section 1, the following rules apply:

(a) if, in the year, the individual is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began before 31 March 2004, operates an international financial centre, 75% or, in the case of a trust, 22.5% of the individual's share of the income or loss of the partnership from the operations of an international financial centre operated by the partnership is deemed to be nil; and

(b) if, in the year, the individual is a member of a partnership that, in a fiscal period of the partnership that ends in that year and began after 30 March 2004, operates an international financial centre,

i. the individual is deemed to have realized, for the year, an additional income from an eligible business the individual carried on in Canada, that is attributable to an establishment in Canada and that is equal to 75% or, in the case of a trust, to 22.5% of the individual's share of the specified loss, within the meaning of section 49 of the Act respecting international financial centres, of the partnership for that fiscal period from the operations of an international financial centre operated by the partnership, and

ii. the individual is deemed to have sustained, for the year, an additional loss from an eligible business the individual carried on in Canada, that is attributable to an establishment in Canada and that is equal to 75% or, in the case of a trust, to 22.5% of the individual's share of the specified income, within the meaning of section 49 of the Act respecting international financial centres, of the partnership for that fiscal period from the operations of an international financial centre operated by the partnership.”

(5) When the percentage of 75% or 22.5% provided for in subparagraph *a* of the third paragraph of section 1090 of the Act, enacted by subsection 4, is to be applied to the individual's share of the income or loss of a partnership for a fiscal period of the partnership that ends in a taxation year of the individual and includes 12 June 2003, from the operations of an international financial centre operated by the partnership,

(1) the percentage of 75% is to be replaced by the total of

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

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

(2) the percentage of 22.5% is to be replaced by the total of

(a) the percentage obtained by multiplying 30% by the proportion that the number of days in the fiscal period that precede 13 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre, and

(b) the percentage obtained by multiplying 22.5% by the proportion that the number of days in the fiscal period that follow 12 June 2003 during which the partnership operates the international financial centre is of the number of days in the fiscal period during which the partnership operates the international financial centre.

**307.** (1) Section 1129.2 of the Act, amended by section 241 of chapter 23 of the statutes of 2005, is again amended, in the first paragraph,

(1) by replacing “any taxation year” in the portion before subparagraph *a* by “any given taxation year”;

(2) by inserting the following subparagraph after subparagraph *a*:

“(a.1) where the situations described in subparagraphs i and ii of subparagraph *a* are not encountered in the particular year in relation to the property nor have been in any preceding taxation year and the corporation ceases in the particular year to be recognized as a qualified corporation not dealing at arm’s length with another corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission because the Société de développement des entreprises culturelles revokes in the particular year the qualification certificate issued to the corporation, for any given taxation year, to the effect that at least 75% of its production costs for the preceding year were incurred in relation to productions broadcast by unrelated third parties, the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.35 in respect of the property for the given taxation year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for the given taxation year;”;

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

“(c) where the situations described in subparagraphs i and ii of subparagraph *a* or in subparagraph *a.1* are not encountered in the particular year in relation to the property and the situations described in those subparagraphs i and ii have not been encountered in any preceding taxation year, the amount determined in respect of the corporation under the second paragraph in cases where”.

(2) Subsection 1 applies in respect of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

**308.** (1) Section 1129.4.0.6 of the Act, amended by section 243 of chapter 23 of the statutes of 2005, is again amended, in the first paragraph,

(1) by replacing “any taxation year” in the portion before subparagraph *a* by “any given taxation year”;

(2) by inserting the following subparagraph after subparagraph *a*:

“(a.1) where subparagraph *a* does not apply in the particular year or in a preceding taxation year, in relation to the property, and the corporation ceases in the particular year to be recognized as a qualified corporation not dealing at arm’s length with another corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission because the Société de développement des entreprises culturelles revokes in the particular year the qualification certificate issued to the corporation, for any given taxation year, to the effect that at least 75% of its production costs for the preceding year were incurred in relation to productions broadcast by unrelated third parties, the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.5 in respect of the property for the given taxation year, exceeds the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for the given taxation year; and”;

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

“(b) where subparagraphs *a* and *a.1* do not apply in the particular year, in relation to the property, and subparagraph *a* does not apply in a preceding taxation year, in relation to the property, the amount determined in respect of the corporation under the second paragraph where”.

(2) Subsection 1 applies in respect of a property for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is filed with the Société de développement des entreprises culturelles after 30 April 2003.

**309.** (1) Section 1129.27.1 of the Act is amended by replacing paragraphs *e* to *j* of the definition of “cumulative limit amount” by the following paragraphs:

“(e) \$575,000,000, in respect of the capitalization period that begins on 1 March 2005 and ends on 28 February 2006;

“(f) \$725,000,000, in respect of the capitalization period that begins on 1 March 2006 and ends on 28 February 2007;

“(g) \$875,000,000, in respect of the capitalization period that begins on 1 March 2007 and ends on 29 February 2008;

“(h) \$1,025,000,000, in respect of the capitalization period that begins on 1 March 2008 and ends on 28 February 2009;

“(i) \$1,175,000,000, in respect of the capitalization period that begins on 1 March 2009 and ends on 28 February 2010; and

“(j) \$1,325,000,000, in respect of the capitalization period that begins on 1 March 2010 and ends on 28 February 2011;”.

(2) Subsection 1 has effect from 1 March 2005.

**310.** (1) Section 1129.41.3.1 of the Act is amended by replacing “in subparagraphs ii to iv” in paragraph *a* by “in subparagraphs i and iii to v”.

(2) Subsection 1 applies from the taxation year 2006.

**311.** (1) Section 1129.41.3.2 of the Act is amended by replacing “in subparagraphs ii to iv” in paragraph *a* by “in subparagraphs i and iii to v”.

(2) Subsection 1 applies from the taxation year 2006.

**312.** (1) Section 1132 of the Act is amended

(1) by replacing “to 1.2% of its paid-up capital” in paragraph *a* by “to the amount obtained by applying the rate determined in its respect for the year under section 1132.4 to its paid-up capital”;

(2) by replacing “to 0.6% of its paid-up capital” in paragraph *c* by “to the amount obtained by applying the rate determined in its respect for the year under section 1132.5 to its paid-up capital”.

(2) Subsection 1 applies from the taxation year 2006.

**313.** (1) The Act is amended by inserting the following sections before section 1133:

**“1132.4.** The rate referred to in paragraph *a* of section 1132 in respect of a corporation for a taxation year is equal to

(a) if the taxation year begins before 1 January 2009 and it begins and ends in the same calendar year, the base percentage for that calendar year;

(b) if the taxation year begins before 1 January 2009 and subparagraph *a* does not apply, the total of

i. the proportion of the base percentage for the calendar year in which the taxation year begins that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year, and

ii. the proportion of the base percentage for the calendar year in which the taxation year ends that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year; and

(c) if the taxation year begins after 31 December 2008, 0.58%.

For the purposes of the first paragraph, the base percentage for a calendar year is equal to

(a) 1.2%, for the calendar year 2005;

(b) 1.05%, for the calendar year 2006;

(c) 0.98%, for the calendar year 2007;

(d) 0.72%, for the calendar year 2008; and

(e) 0.58%, for the calendar year 2009.

**1132.5.** The rate referred to in paragraph *c* of section 1132 in respect of a corporation for a taxation year is equal to

(a) if the taxation year begins before 1 January 2009 and it begins and ends in the same calendar year, the base percentage for that calendar year;

(b) if the taxation year begins before 1 January 2009 and subparagraph *a* does not apply, the total of

i. the proportion of the base percentage for the calendar year in which the taxation year begins that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year, and

ii. the proportion of the base percentage for the calendar year in which the taxation year ends that the number of days in the taxation year that are included in that calendar year is of the number of days in the taxation year; and

(c) if the taxation year begins after 31 December 2008, 0.29%.

For the purposes of the first paragraph, the base percentage for a calendar year is equal to

(a) 0.6%, for the calendar year 2005;

(b) 0.525%, for the calendar year 2006;

- (c) 0.49%, for the calendar year 2007;
- (d) 0.36%, for the calendar year 2008; and
- (e) 0.29%, for the calendar year 2009.”

(2) Subsection 1 applies from the taxation year 2006.

**314.** (1) The Act is amended by inserting the following sections after section 1135:

**“1135.1.** If a corporation to which Title I of Book III applies is the owner at the end of a particular taxation year of property described in section 1135.3 that the corporation acquired in that year, or is a member of a partnership at the end of a particular fiscal period of the partnership that ends in the corporation’s particular taxation year and at that time the partnership is the owner of property described in section 1135.3 that the partnership acquired in that particular fiscal period, the corporation may deduct from its tax otherwise payable under this Part for the particular taxation year a particular amount equal to 5% of the aggregate of

(a) the amount by which the aggregate of the costs the corporation incurred in the particular taxation year to acquire the property, except an amount incurred with a person with whom the corporation or a specified shareholder of the corporation does not deal at arm’s length, that are related to a business carried on by the corporation in the particular year in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that year, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that particular year; and

(b) the amount by which the corporation’s share of the amount by which the aggregate of the costs the partnership incurred in the particular fiscal period to acquire the property, except an amount incurred with a person with whom a corporation that is a member of the partnership or a specified shareholder of that corporation does not deal at arm’s length, that are related to a business carried on by the partnership in the particular fiscal period in Québec, other than a recognized business in connection with which a major investment project is carried out or is in the process of being carried out, and that are included, at the end of that particular fiscal period, in the capital cost of the property, to the extent that those costs are paid, exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the partnership has received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of that particular fiscal period, exceeds the aggregate of all amounts each of which is an amount of government



assistance or non-government assistance, attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that particular year.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 if they refer to that subparagraph *a*, the following rules apply:

(a) the corporation shall estimate its tax payable for the particular taxation year under this Part as if that tax were computed without reference to the first paragraph; and

(b) the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the particular taxation year under Part I and of its tax payable for the particular year under this Part and Parts IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

i. the amount by which the amount determined in accordance with the first paragraph for the particular year exceeds the aggregate of all amounts each of which is the portion of that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the particular year but before that date, and

ii. the amount by which the amount of that payment, determined without reference to Chapter III.1 of Title III of Book IX of Part I and this section, exceeds the aggregate of all amounts each of which is an amount that is deemed, under that Chapter III.1, to have been paid to the Minister on that date, for the purpose of computing that payment.

**“1135.2.** A corporation to which Title I of Book III applies may deduct from its tax otherwise payable under this Part for a particular taxation year, determined before the application of section 1135.1, an amount not exceeding the amount by which the balance of the amount that the corporation has not deducted under the first paragraph of section 1135.1, in respect of costs referred to in that paragraph, for any taxation year, otherwise than because of the application of section 1135.8, exceeds any amount deducted under this section, in respect of such costs, for a taxation year that precedes the particular taxation year.

However, the amount that a corporation may deduct under the first paragraph, in respect of costs referred to in that paragraph, is to be reduced by the aggregate of

(a) the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for the particular taxation year, other than such an amount of assistance, attributable to such costs, that

reduced the amount of costs incurred by the corporation or the corporation's share of the amount of the costs incurred by a partnership of which the corporation is a member at the end of its fiscal period that ends in the particular taxation year, in accordance with subparagraph *a* or *b* of the first paragraph of section 1135.1; and

(*b*) the aggregate of all amounts each of which is the corporation's share of an amount of government assistance or non-government assistance, attributable to such costs, that a partnership of which the corporation is a member at the end of its fiscal period that ends in the particular taxation year of the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of that fiscal period, other than such an amount of assistance, attributable to such costs, that reduced the amount of the costs incurred by the partnership in accordance with subparagraph *b* of the first paragraph of section 1135.1.

**“1135.3.** The property to which the first paragraph of section 1135.1 refers is a property described in Class 43 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1) that

(*a*) is acquired after 21 April 2005 and before 1 January 2008, but is not a property acquired pursuant to an obligation in writing entered into before 22 April 2005 or the construction of which, where applicable, by or on behalf of the purchaser, had begun before 21 April 2005;

(*b*) begins to be used within a reasonable time after being acquired;

(*c*) is used solely in Québec and mainly in the course of carrying on a business; and

(*d*) was not, before its acquisition, used for any purpose or acquired to be used or leased for any purpose whatever.

**“1135.4.** If, in respect of costs incurred by a particular corporation or a particular partnership to acquire a property described in section 1135.3, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the acquisition of that property, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(*a*) for the purpose of computing the amount that the particular corporation may deduct in computing its tax otherwise payable under the first paragraph of section 1135.1 for a particular taxation year, the amount determined in accordance with subparagraph *a* of that first paragraph, in respect of the particular corporation for the particular year, in relation to those costs, is to be reduced by the amount of that benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the particular corporation's filing-due date for the particular year;

(b) for the purpose of computing the amount that the particular corporation may deduct in computing its tax otherwise payable under the first paragraph of section 1135.1 for a particular taxation year, if the particular corporation is a member of the particular partnership at the end of the fiscal period of the particular partnership that ends in the particular year, the amount determined in accordance with subparagraph *b* of that first paragraph, in respect of the particular corporation for the particular year, in relation to those costs, is to be reduced

i. by its share, for that fiscal period, of the amount of that benefit or advantage, relating to those costs, that the person, other than a person referred to in subparagraph ii, or the partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of that fiscal period, and

ii. by the amount of that benefit or advantage, relating to those costs, that the particular corporation or a person with which it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the particular corporation's filing-due date for the particular year; and

(c) for the purpose of computing, for a particular taxation year, the amount that the particular corporation may deduct in computing its tax otherwise payable under section 1135.2, the amount determined in accordance with section 1135.2, in respect of the particular corporation for the particular year, in relation to those costs, is to be reduced

i. if the costs were incurred by the particular corporation, by the amount of that benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the particular corporation's filing-due date for the particular year, other than such a benefit or advantage that reduced, under paragraph *a*, the amount of those costs, and

ii. if the costs were incurred by the particular partnership and the particular corporation is a member of the particular partnership at the end of the fiscal period of the particular partnership that ends in the particular year,

(1) by the particular corporation's share, for that fiscal period, of the amount of that benefit or advantage, relating to those costs, that the person, other than a person referred to in subparagraph 2, or the partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the day that is six months after the end of the fiscal period, other than such a benefit or advantage that reduced, under subparagraph i of paragraph *b*, the amount of those costs, or

(2) by the amount of that benefit or advantage, relating to those costs, that the particular corporation or a person with which it does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the particular corporation's filing-due date for the particular year,

other than such a benefit or advantage that reduced, under subparagraph ii of paragraph *b*, the corporation's share of those costs.

**“1135.5.** For the purposes of sections 1135.1, 1135.2 and 1135.4, the share of a corporation that is a member of a partnership, for a fiscal period of that partnership, of an amount is equal to the proportion of that amount that the corporation's share of the partnership's income or loss for that fiscal period is of the partnership's income or loss for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000.

**“1135.6.** If a corporation pays, at a particular time of a taxation year and before 1 January 2009, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property, that may reasonably be considered to be a repayment of a particular assistance referred to in subparagraph *a* or *b* of the first paragraph of section 1135.1 or in the second paragraph of section 1135.2 or of a particular benefit or advantage referred to in section 1135.4 that reduced the amount determined, in respect of the corporation, under that subparagraph *a* or *b* of the first paragraph of section 1135.1 or the first paragraph of section 1135.2, for the purpose of determining the amount that the corporation could deduct, in respect of those costs, in computing its tax otherwise payable for a preceding taxation year under this Part, or in respect of which the corporation has paid tax under Part VI.1.1 in relation to a preceding taxation year, as the case may be, the following rules apply:

(*a*) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the corporation as costs to acquire, in the year, a property of which the corporation is the owner at the end of the year and that meets the conditions set out in section 1135.3; and

(*b*) the costs referred to in paragraph *a* are deemed to be related to a business that the corporation carries on in the year in Québec and included, at the end of that year, in the capital cost of the property.

For the purposes of the first paragraph, an amount of assistance, a benefit or an advantage is deemed to be repaid, at a particular time, by a corporation, pursuant to a legal obligation, where that amount

(*a*) reduced the amount determined in accordance with subparagraph *a* or *b* of the first paragraph of section 1135.1 or the first paragraph of section 1135.2, for the purpose of determining the amount that the corporation could deduct, in respect of the costs, in computing its tax otherwise payable for a taxation year under this Part, or is an amount in respect of which the corporation has paid tax under Part VI.1.1;

(*b*) was not received by the corporation; and

(*c*) ceased at the particular time to be an amount that the corporation may reasonably expect to receive.

**“1135.7.** If a partnership pays, at a particular time of a particular fiscal period and before 1 January 2009, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property, that may reasonably be considered to be a repayment of a particular assistance referred to in subparagraph *b* of the first paragraph of section 1135.1 or in the second paragraph of section 1135.2 or of a particular benefit or advantage referred to in section 1135.4 that reduced the amount determined, in respect of a particular corporation that is a member of the partnership, under that subparagraph *b* of the first paragraph of section 1135.1 or the first paragraph of section 1135.2, for the purpose of determining the amount that the particular corporation could deduct, in respect of that property, in computing its tax otherwise payable under this Part for a taxation year of the corporation in which ends a fiscal period of the partnership that precedes the particular fiscal period, or in respect of which the particular corporation has paid tax under Part VI.1.1 in relation to a preceding taxation year, as the case may be, the following rules apply:

(a) the particular amount is deemed, for the purposes of sections 1135.1 to 1135.12, to have been paid at the particular time by the partnership as costs to acquire, in the particular fiscal period, a property of which the partnership is the owner at the end of that particular fiscal period and that meets the conditions set out in section 1135.3; and

(b) the costs referred to in paragraph *a* are deemed to be related to a business that the partnership carries on in the particular fiscal period in Québec and included, at the end of that fiscal period, in the capital cost of the property.

For the purposes of the first paragraph, an amount of assistance, a benefit or an advantage is deemed to be repaid, at a particular time, by a partnership, pursuant to a legal obligation, where that amount

(a) reduced the amount determined in accordance with subparagraph *b* of the first paragraph of section 1135.1 or the first paragraph of section 1135.2, for the purpose of determining the amount that a particular corporation that is a member of the partnership could deduct, in respect of the costs, in computing its tax otherwise payable for a taxation year under this Part, or is an amount in respect of which the particular corporation has paid tax under Part VI.1.1;

(b) was not received by the partnership; and

(c) ceased at the particular time to be an amount that the partnership may reasonably expect to receive.

**“1135.8.** No amount may be deducted by a corporation, for a taxation year, under sections 1135.1 and 1135.2, in relation to a property described in the first paragraph of section 1135.3, in respect of costs incurred to acquire the property, if, at any time before the day after the day that is the end of the period of 730 days following the beginning of the use of the property by the

first purchaser or by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R71 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1) applies, or, if it precedes the day that is the end of that period, the corporation's filing-due date, for that taxation year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income from a business carried on

i. by the first purchaser of the property and if that time is also in the portion of that period in which the first purchaser owns the property; or

ii. by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R71 of the Regulation respecting the Taxation Act applies, and if that time also is in the portion of that period in which the subsequent purchaser owns the property.

**“1135.9.** If, at any time, control of a corporation is acquired by a person or group of persons, no amount may be deducted by the corporation, under section 1135.2, in computing its tax otherwise payable under this Part for a taxation year ending after that time.

However, the corporation may deduct, under section 1135.2, from its tax otherwise payable under this Part for a particular taxation year ending after that time, the balance of the amount the corporation has not deducted, under section 1135.1, for a taxation year ending before that time, otherwise than because of the application of section 1135.8, that may reasonably be considered to be attributable to costs to acquire a property described in section 1135.3 that were incurred in the course of carrying on a business, if the corporation carried on the business throughout the particular year for profit or with a reasonable expectation of profit.

The amount that the corporation may deduct in respect of the balance referred to in the second paragraph is to be determined as if the reference to the tax otherwise payable under this Part were a reference to the portion of the tax otherwise payable under this Part by the corporation for the particular year that may reasonably be attributed to the carrying on of that business and, if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before that time, of any other business substantially all the income of which is derived from the sale, leasing, rental or development, as the case may be, of similar properties, or the rendering of similar services.

**“1135.10.** If a corporation, in this section referred to as the “new corporation”, resulting from the amalgamation, within the meaning of section 544, of two or more corporations, each of which is referred to in this section as the “predecessor corporation”, carries on after the amalgamation a business carried on before the amalgamation by a predecessor corporation, the new corporation is deemed, for the purposes of sections 1135.1 to 1135.8, to continue the existence of the predecessor corporation.

“**1135.11.** If, after the beginning of the winding-up of a subsidiary, within the meaning of section 556, to which the rules of sections 556 to 564.1 and 565 apply, the parent, within the meaning of section 556, begins to carry on a business that the subsidiary carried on before the beginning of its winding-up, the parent is deemed, for the purposes of sections 1135.1 to 1135.8, to continue the existence of the subsidiary.

“**1135.12.** For the purposes of this Part, government assistance or non-government assistance does not include an amount deducted by a corporation from its tax otherwise payable under this Part under section 1135.1 or 1135.2.”

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 21 April 2005.

**315.** (1) Section 1136 of the Act is amended by striking out paragraph *b.1* of subsection 1.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**316.** (1) Section 1137 of the Act is amended by striking out paragraph *c.*

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**317.** (1) Section 1137.0.0.1 of the Act is replaced by the following section:

“**1137.0.0.1.** An amount that a corporation may deduct in computing its paid-up capital under section 1137, otherwise than because of paragraph *d* or *e* of that section, does not include the portion of that amount attributable to eligible activities of a recognized business carried on by the corporation or any partnership of which the corporation is a member, carried out during the base period applicable to the corporation or the partnership in respect of those eligible activities.”

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**318.** (1) Section 1138 of the Act, amended by section 258 of chapter 23 of the statutes of 2005, is again amended

(1) by replacing subsection 2.1.2 by the following subsection:

“(2.1.2) For the purposes of subsection 1, an investment in shares of a bank or a particular corporation related to a bank or a savings and credit union, a loan or an advance to such a particular corporation, an investment in bonds of another corporation, a property described in paragraph *a.1* of subsection 1, a property described in paragraph *b* or *c* of that subsection that is commercial paper or a property described in any of paragraphs *d* to *d.2* of that subsection, is deemed not to be such property if it was not held without interruption by the corporation throughout a 120-day period that includes the date of the end of its taxation year.”;

(2) by inserting the following subsection after subsection 2.1.3:

“(2.1.4) For the purposes of subsection 2.1.2, the particular corporation referred to in that subsection is deemed not to be related to a bank or savings and credit union in respect of an investment by another corporation in shares of the particular corporation or a loan or an advance by that other corporation to the particular corporation, if the particular corporation is not related to the bank or the savings and credit union at any time during the period the other corporation holds the investment or is the creditor of the loan or the advance.”

(2) Subsection 1 applies from a taxation year that ends after 29 June 2004.

**319.** (1) Section 1138.0.1 of the Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) its paid-up capital for the year, computed after the application of section 1138, minus the amount that, where applicable, could be deducted from the paid-up capital of the corporation for the year under section 1138.2.5 if “75% of the amount” in the first paragraph of section 57 of the Act respecting international financial centres (chapter C-8.3) were replaced by “the amount”; and”.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**320.** (1) The Act is amended by inserting the following section after section 1138.2.4:

“**1138.2.5.** A corporation may deduct from its paid-up capital otherwise determined for a taxation year under this Title the amount provided for in its respect for the year in section 57 of the Act respecting international financial centres (chapter C-8.3).”

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**321.** (1) Section 1141.1.1 of the Act, amended by section 284 of chapter 1 of the statutes of 2005, is replaced by the following section:

“**1141.1.1.** A corporation referred to in any of sections 1140, 1141 and 1141.1 shall also, in computing its paid-up capital for a taxation year, include an amount equal to 50% of the total of all amounts each of which is

(a) the value at the end of the year of an asset of the corporation, other than property held by the corporation primarily for the purpose of resale that was acquired by the corporation in the year or the preceding taxation year, as a consequence of another person’s default, or anticipated default, in respect of a debt owed to the corporation, that is corporeal property; and

(b) the corporation’s share, in respect of a partnership of which the corporation is a member at the end of the year, of the value of an asset of the



partnership, at the end of the partnership's last fiscal period ending at or before the end of the year, that is corporeal property.

For the purposes of subparagraph *b* of the first paragraph, the corporation's share of the value of corporeal property of a partnership is equal to the proportion of the value that the corporation's share of the income or loss of the partnership, for the fiscal period referred to in that subparagraph *b*, is of the income or loss of that partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000."

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**322.** (1) Section 1141.2 of the Act is replaced by the following section:

**"1141.2.** A corporation referred to in any of sections 1140, 1141 and 1141.1 may deduct, in computing its paid-up capital, the amount of its deficit."

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**323.** (1) Section 1141.2.0.1 of the Act is repealed.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**324.** (1) Section 1141.2.1.1 of the Act is repealed.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**325.** (1) Sections 1141.2.1.1.2 and 1141.2.1.2 of the Act are repealed.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**326.** (1) Section 1141.2.4 of the Act is repealed.

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**327.** (1) Section 1141.3 of the Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

"(a) its paid-up capital for the year, computed without reference to this section and sections 1141.8 to 1141.11, minus the amount that, where applicable, could be deducted from the paid-up capital of the corporation for the year under section 1141.9, 1141.10 or 1141.11, as the case may be, if "75% of the amount" in the first paragraph of section 57 of the Act respecting international financial centres (chapter C-8.3) were replaced by "the amount", and if "75% of the product" in the first paragraph of section 57.1 of that Act were replaced by "the product"; and".

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**328.** (1) The Act is amended by inserting the following sections after section 1141.8:

**“1141.9.** A corporation referred to in section 1140 may deduct from its paid-up capital otherwise determined for a taxation year under this Title the amount provided for in its respect for the year in section 57 or 60.1 of the Act respecting international financial centres (chapter C-8.3).

**“1141.10.** A corporation referred to in section 1140.1 may deduct from its paid-up capital otherwise determined for a taxation year under this Title the amount provided for in its respect for the year in section 57.1 of the Act respecting international financial centres (chapter C-8.3).

**“1141.11.** A corporation referred to in any of sections 1141, 1141.1 and 1141.2.2 may deduct from its paid-up capital otherwise determined for a taxation year under this Title the amount provided for in its respect for the year in section 57 of the Act respecting international financial centres (chapter C-8.3).”

(2) Subsection 1 applies to a taxation year that begins after 30 March 2004.

**329.** (1) Section 1159.1 of the Act is amended

(1) by replacing the definition of “wages” by the following definition:

““wages” means base wages, except wages paid by a financial institution to a person who is, within the meaning of an agreement on social security that provides for the reciprocal coverage of health insurance plans, entered into between the Gouvernement du Québec and the government of a foreign country, a worker on secondment, for the period in which the person is such a seconded worker, if under the agreement the person is subject only to the legislation of the foreign country to which the reciprocal coverage applies.”;

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

““base wages” means the aggregate of all amounts each of which is an amount paid by a person, in respect of an individual, to a trustee or custodian under a profit sharing plan, an employee trust or an employee benefit plan, within the meaning assigned to those expressions by section 1, and

(a) any amount paid, allocated, granted or awarded by the person that is included under Chapters I and II of Title II of Book III of Part I, except section 58.0.1, in computing the individual’s income from an office or employment or that would be included in computing that income if the individual were subject to tax under Part I; and

(b) any amount that the person is deemed to pay to the individual under section 1019.7;”;

(3) by replacing the definition of “amount paid as wages” by the following definition:

““amount paid as wages” means wages paid by a financial institution to its employee who reports for work at its establishment in Québec, that it is deemed to pay to its employee or that it pays in respect of its employee, or to its employee to whom those wages, if the employee is not required to report for work at an establishment of the financial institution, are paid, deemed to be paid or paid in respect of the employee from such an establishment in Québec;”.

(2) Subsection 1 applies from 1 January 2006. In addition, when the definition of “wages” in section 1159.1 of the Act applies after 30 March 2004 but before 1 January 2006, it reads as follows:

““wages” has the meaning that would be assigned by the first paragraph of section 33 of the Act respecting the Régie de l’assurance maladie du Québec (chapter R-5) if the definition of that expression in that paragraph were read without reference to its paragraph *a*.”

**330.** (1) Section 1159.1.1 of the Act is amended by replacing subparagraph ii of paragraph *a* by the following subparagraph:

“ii. in respect of wages that are paid as a premium, an increase with retroactive effect or a vacation pay, that are paid to a trustee or custodian in respect of the employee or that do not relate to a regular pay period of the employee, means an employee who ordinarily reports for work at that establishment;”.

(2) Subsection 1 applies from 1 January 2006.

**331.** (1) The Act is amended by inserting the following section after section 1159.1.1:

**“1159.1.2.** For the purposes of this Part, a reference to wages that a financial institution pays or has paid is a reference to wages that the financial institution pays, allocates, grants or awards or has paid, allocated, granted or awarded.”

(2) Subsection 1 applies from 1 January 2006.

**332.** (1) Section 1159.3 of the Act is amended by replacing “sections 1141.3 and 1141.8” in subparagraph i of subparagraph *a* of the first paragraph and in subparagraph i of subparagraph *a* of the second paragraph by “sections 1141.3 to 1141.11”.

(2) Subsection 1 applies to a taxation year that ends after 30 March 2004. However, when such a taxation year includes that date,

(1) subparagraph i of subparagraph *a* of the first paragraph of section 1159.3 of the Act and subparagraph i of subparagraph *a* of the second paragraph of section 1159.3 of the Act read as if “sections 1141.3 to 1141.11” was replaced by “sections 1141.3, 1141.4 and 1141.8 and the Act respecting international financial centres (chapter C-8.3)” in the case of a taxation year that begins before 12 June 2003, and by “sections 1141.3 and 1141.8 and the Act respecting international financial centres (chapter C-8.3)” in the case of a taxation year that begins after 11 June 2003; and

(2) the amount determined for the taxation year, before the application of sections 1159.5 and 1159.6 of the Act, under subparagraph i of subparagraph *a* of the first or second paragraph of section 1159.3 of the Act is deemed to be equal to the total of

(*a*) the proportion of the amount that, but for this section, would be determined for the taxation year, before the application of sections 1159.5 and 1159.6 of the Act, under that subparagraph i, that the number of days in the taxation year that precede 31 March 2004 is of the number of days in the taxation year, and

(*b*) the proportion of the amount that, but for this paragraph 2, would be determined for the taxation year, before the application of sections 1159.5 and 1159.6 of the Act, under that subparagraph i, that the number of days in the taxation year that follow 30 March 2004 is of the number of days in the taxation year.

**333.** (1) The Act is amended by inserting the following after section 1175.19:

**“PART VI.1.1**

**“SPECIAL TAX RELATING TO A CAPITAL TAX CREDIT**

**“1175.19.1.** In this Part,

“filing-due date” has the meaning assigned by section 1;

“fiscal period” has the meaning assigned by Part I;

“government assistance” has the meaning assigned by Part IV;

“non-government assistance” has the meaning assigned by Part IV;

“taxation year” has the meaning assigned by Part I.

**“1175.19.2.** Any corporation that, in relation to costs incurred in respect of property described in section 1135.3, has deducted for any taxation year, under section 1135.1 or 1135.2, an amount in computing its tax otherwise payable under Part IV for the year, shall pay, for a particular taxation year, tax equal to

(a) the amount by which the aggregate of all amounts each of which is an amount deducted by the corporation under section 1135.1 or 1135.2, in computing its tax payable under Part IV, in respect of the costs, for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is, in respect of the corporation, an amount determined under subparagraph *b*, in relation to the costs, for a taxation year preceding the particular year, if at any time between the corporation’s filing-due date for the taxation year preceding the particular year and the day after the day that is the end of the period of 730 days following the beginning of the use of the property by the first purchaser or by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R71 of the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1) applies or, if it precedes the day that is the end of that period, the filing-due date, for the particular year, of the purchaser that is the owner of the property at the end of the particular year, the property ceases, otherwise than by reason of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, to be used solely in Québec to earn income from a business carried on

i. by the first purchaser of the property and if that time is also in the portion of that period in which the first purchaser owns the property, or

ii. by a subsequent purchaser of the property that acquired the property in any of the circumstances in which section 130R71 of the Regulation respecting the Taxation Act applies, and if that time also is in the portion of that period in which the subsequent purchaser owns the property; or

(b) if subparagraph *a* does not apply in the particular year or a preceding taxation year in relation to the costs, to 5% of the aggregate of

i. if in the particular year the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for that particular year, an amount of government assistance or non-government assistance, attributable to such costs, other than such an amount of assistance that reduced the amount determined under subparagraph *a* or *b* of the first paragraph of section 1135.1 or under the second paragraph of section 1135.2, in respect of the corporation for the purpose of determining the amount that the corporation was entitled to deduct, in respect of the costs, in computing its tax payable under Part IV for a taxation year preceding the particular year, to the lesser of the amount of that assistance and the amount by which the portion of the costs in respect of which the corporation has deducted an amount under section 1135.1 or 1135.2 in computing its tax payable under Part IV for a taxation year preceding the particular year, exceeds the aggregate

of all amounts each of which is an amount determined, in respect of the costs, under this subparagraph for a taxation year preceding the particular taxation year, in relation to the corporation,

ii. if a partnership of which the corporation is a member at the end of a fiscal period of the partnership that ends in the particular taxation year, has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of that fiscal period, an amount of government assistance or non-government assistance, attributable to such costs, other than such an amount of assistance that reduced the amount determined under subparagraph *b* of the first paragraph of section 1135.1 or under the second paragraph of section 1135.2, in respect of the partnership for the purpose of determining the amount that the corporation was entitled to deduct, in respect of the costs, in computing its tax payable under Part IV for a taxation year preceding the particular year, to the lesser of the corporation's share of the amount of that assistance and the amount by which the portion of the costs in respect of which the corporation has deducted an amount under section 1135.1 or 1135.2 in computing its tax payable under Part IV for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is an amount determined, in respect of the costs, under this subparagraph for a taxation year preceding the particular taxation year, in relation to the corporation, and

iii. if in the particular year a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the corporation's filing-due date for that particular year, a benefit or advantage attributable to such costs, except a benefit or advantage referred to in the second paragraph, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, to the lesser of, if the costs were incurred by the corporation, the amount of that benefit or advantage or, if the costs were incurred by a partnership of which the corporation is a member at the end of the fiscal period of the partnership that ends in the particular taxation year, the corporation's share of the amount of that benefit or advantage and the amount by which the portion of the costs in respect of which the corporation has deducted an amount, under section 1135.1 or 1135.2, in computing its tax payable under Part IV, for a taxation year preceding the particular year exceeds the aggregate of all amounts each of which is an amount determined, in respect of the costs, under this subparagraph for a taxation year preceding the particular taxation year, in relation to the corporation.

A benefit or advantage to which subparagraph iii of subparagraph *b* of the first paragraph refers means a benefit or advantage

- (a) that may reasonably be attributed to the acquisition of the property; or
- (b) that reduced, in accordance with section 1135.4, the amount determined under subparagraph *a* or *b* of the first paragraph of section 1135.1 or under the

second paragraph of section 1135.2, in respect of the corporation or of the partnership for the purpose of determining the amount that the corporation was entitled to deduct, in respect of the costs, in computing its tax payable under this Part for a taxation year preceding the particular year.

For the purposes of subparagraphs ii and iii of subparagraph *b* of the first paragraph, the share of a corporation that is a member of a partnership, for a fiscal period of that partnership, of an amount is equal to the proportion of that amount that the corporation's share of the income or loss of the partnership for that fiscal period is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000.

**“1175.19.3.** Except where inconsistent with this Part, sections 17 to 21, 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16, 1135.10 and 1135.11 apply, with the necessary modifications, to this Part.”

(2) Subsection 1 applies in respect of costs incurred for the acquisition of property after 21 April 2005.

**334.** (1) Section 1175.29 of the Act, enacted by section 261 of chapter 23 of the statutes of 2005, is amended by replacing the definition of “financial statements” in the first paragraph by the following definition:

““financial statements” means the financial statements prepared in accordance with generally accepted accounting principles which, in the case of the financial statements of a corporation, are submitted to the shareholders of the corporation or, in the case of the financial statements of a partnership, are submitted to the members of the partnership, or, if such financial statements have not been prepared or have not been prepared in accordance with generally accepted accounting principles, such financial statements if they had been prepared in accordance with generally accepted accounting principles;”.

(2) Subsection 1 applies from the calendar year 2005.

**335.** (1) Section 1175.36 of the Act, enacted by section 261 of chapter 23 of the statutes of 2005, is amended by adding the following paragraph after the third paragraph:

“For the purposes of this section, an operator who uses an immovable subject to tax in a capacity other than owner during the operator's last fiscal period that ends in a calendar year is deemed to be the owner of that immovable subject to tax at the end of that fiscal period and is deemed not to be a lessee of that immovable subject to tax if that immovable constitutes an asset of the operator shown in the operator's financial statements prepared for that fiscal period.”

(2) Subsection 1 applies from the calendar year 2005.

#### ACT RESPECTING THE MINISTÈRE DU REVENU

**336.** (1) Section 93.1.1 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), amended by section 55 of chapter 14 of the statutes of 2005, is again amended by inserting “a premium relating to the qualified wages of a person to whom section 51 of the Act respecting parental insurance (chapter A-29.011) applies, or to the business income of a self-employed worker, issued under Chapter IV of that Act,” after “In the case of” in the second paragraph.

(2) Subsection 1 applies from the taxation year 2006.

**337.** (1) Section 93.1.6 of the Act is amended by adding the following paragraph:

“Despite the first paragraph, the notice of suspension provided for in section 985.8.2 of the Taxation Act (chapter I-3) that is reconsidered may be confirmed or vacated, but not varied.”

(2) Subsection 1 applies to a taxation year that begins after 22 March 2004.

**338.** (1) Section 93.1.8 of the Act, amended by section 319 of chapter 1 of the statutes of 2005, is again amended by inserting “1010.0.4,” after “1010.0.3,” in the first paragraph.

(2) Subsection 1 applies from the taxation year 2004.

**339.** (1) The Act is amended by inserting the following sections after section 93.1.9:

**“93.1.9.1.** A person may, within 90 days after the date of sending of the notice provided for in any of sections 985.4.3, 985.6 to 985.8.2, 985.8.5, 985.8.6 and 1064 of the Taxation Act (chapter I-3), object to the notice by notifying a notice of objection to the Minister, setting out the reasons for the objection and all the relevant facts. Sections 93.1.3 to 93.1.7, 93.1.9 and 93.1.14 apply, with the necessary modifications.

Despite the first paragraph, no notice of objection may be notified in respect of a decision refusing registration as a charity or refusing to designate a registered charity, within the meaning of section 1 of the Taxation Act or of a decision revoking such a registration if the applicant or the charity is the subject of a certificate referred to in subsection 3 of section 168 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

**“93.1.9.2.** If a registered charity, within the meaning of section 1 of the Taxation Act (chapter I-3), notified a notice of objection to a suspension provided for in section 985.8.2 of that Act, the charity may apply to a judge of



the Court of Québec for a postponement of that portion of the period of suspension that has not elapsed until the time determined by the judge.”

(2) Subsection 1 applies in respect of a notice issued by the Minister of Revenue after 12 June 2005.

**340.** (1) The Act is amended by inserting the following section after section 93.1.10:

**“93.1.10.1.** If a person notified a notice of objection under section 93.1.9.1, the person may appeal to the Court of Québec if the Minister

(a) confirms a proposal, decision or designation in respect of which a notice was issued by the Minister under any of sections 985.4.3, 985.6 to 985.8.2, 985.8.5, 985.8.6 and 1064 of the Taxation Act (chapter I-3), to a person that is or was registered as a registered charity, or is an application for registration as a registered charity; or

(b) does not confirm or vacate that proposal, decision or designation within 180 days after a notice of objection has been notified by the person under section 93.1.9.1 in respect of that proposal, decision or designation.

The appeal provided for in the first paragraph may not be instituted after the expiry of 90 days following the day on which a decision under section 93.1.6 was mailed to the person.

For the purposes of the first paragraph, “registered charity” has the meaning assigned by section 1 of the Taxation Act.”

(2) Subsection 1 applies in respect of a notice issued by the Minister of Revenue after 12 June 2005.

**341.** (1) Section 93.1.12 of the Act, amended by section 320 of chapter 1 of the statutes of 2005, is again amended by inserting “1010.0.4,” after “1010.0.3,” in the first paragraph.

(2) Subsection 1 applies from the taxation year 2004.

**342.** (1) Section 93.1.15 of the Act, amended by section 267 of chapter 23 of the statutes of 2005, is again amended

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

“(a) refusing registration as a Canadian amateur athletic association or Québec amateur athletic association, or giving notice that the Minister intends to revoke such registration;”;

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

(3) by striking out the third paragraph.

(2) Subsection 1 applies in respect of a notice issued by the Minister of Revenue after 12 June 2005.

**343.** (1) Section 93.1.15.1 of the Act is amended by replacing “Notwithstanding subparagraph *a* or *b* of the first paragraph of section 93.1.15 and section” by “Despite sections 93.1.10.1 and”.

(2) Subsection 1 applies in respect of a notice issued by the Minister of Revenue after 12 June 2005.

**344.** (1) Section 93.1.16 of the Act is replaced by the following section:

**“93.1.16.** For the purposes of paragraphs *a*, *d* and *e* of section 93.1.15, the Minister is deemed to have refused an application for registration, if the Minister has not disposed of the application within 180 days after the day of mailing of the application.”

(2) Subsection 1 applies in respect of a notice issued by the Minister of Revenue after 12 June 2005.

**345.** (1) Section 94.0.3.2 of the Act, amended by section 321 of chapter 1 of the statutes of 2005, is again amended by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) C is the amount by which the percentage referred to for the taxation year in the portion of paragraph *d.2* of subsection 1 of section 771 of the Taxation Act before subparagraph *i*, exceeds the total of

i. the percentage referred to for the year, in respect of the person, in subparagraph *i* of that paragraph *d.2*, and

ii. where the person has deducted, under subparagraph *ii* of that paragraph *d.2*, an amount in computing the person’s tax payable for the year under Part I of that Act,

(1) the percentage referred to for the year, in respect of the person, in that subparagraph *ii*, if the percentage determined for the year under this subparagraph is to be applied to the portion of the amount determined for the year under subparagraph *a* or *b* that does not exceed the amount by which the amount established in respect of the person for the year under section 771.2.1.2 of that Act exceeds the amount that would have been established in respect of the person for the year under that section if section 737.18.17 of that Act had applied for the year to the person relating to the major investment project, and

(2) a nil percentage, if the percentage determined for the year under this subparagraph is to be applied to the remaining portion of the amount determined for the year under subparagraph *a* or *b*.”

(2) Subsection 1 applies from the taxation year 2006.

**346.** (1) Section 94.5 of the Act is amended by inserting “section 70 of the Act respecting parental insurance (chapter A-29.011),” after “under” in the second paragraph.

(2) Subsection 1 applies from the taxation year 2006.

#### ACT RESPECTING LABOUR STANDARDS

**347.** (1) Section 39.0.1 of the Act respecting labour standards (R.S.Q., chapter N-1.1) is amended

(1) by replacing the definition of “remuneration” in the first paragraph by the following definition:

““remuneration” means, if the employee is an employee within the meaning of section 1 of the Taxation Act (chapter I-3), the employee’s base wages, within the meaning of section 1159.1 of that Act, and, if the employee is not such an employee, the employee’s wages. The expression also includes amounts paid as indemnity in lieu of notice and upon termination of a contract of employment;”;

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

“(b) in respect of remuneration subject to contribution that is paid as a premium, an increase with retroactive effect or a vacation pay, that is paid to a trustee or custodian in respect of the employee or that does not relate to a regular pay period of the employee, means an employee who ordinarily reports for work at that establishment;”.

(2) Subsection 1 applies from the calendar year 2006.

**348.** (1) Section 39.0.2 of the Act is amended by replacing the first paragraph by the following paragraph:

**“39.0.2.** Every employer subject to contribution shall, in respect of a calendar year, pay to the Minister of Revenue a contribution equal to the product obtained by multiplying by the rate fixed by regulation made under paragraph 7 of section 29 the remuneration subject to contribution paid by the employer in the year and the remuneration the employer is deemed to pay in respect of the year to or in respect of the employer’s employee working in Québec.”

(2) Subsection 1 applies from the calendar year 2006.

ACT RESPECTING THE RÉGIE DE L'ASSURANCE MALADIE DU QUÉBEC

**349.** (1) Section 33 of the Act respecting the Régie de l'assurance maladie du Québec (R.S.Q., chapter R-5), amended by section 324 of chapter 1 of the statutes of 2005 and by section 268 of chapter 23 of the statutes of 2005, is again amended, in the first paragraph,

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

““eligible preceding year” of an individual, in relation to a particular year, means a year throughout which the individual was resident in Canada and that precedes the particular year;”;

(2) by striking out “, including an amount described in subparagraph *c* of the first paragraph of section 34,” in the definition of “total payroll”;

(3) by striking out “and amounts” and “or an amount” in the definition of “employer exemption”;

(4) by replacing the portion of the definition of “wages” before paragraph *a* by the following:

““wages” means base wages, within the meaning of section 1159.1 of the Taxation Act, excluding, except for the purposes of the definition of “total payroll”, subparagraph *b* of the first paragraph of section 33.0.2 and subparagraph ii of subparagraph *b* of the second paragraph of section 34, the following amounts:”.

(2) Paragraph 1 of subsection 1 applies from the year 2004.

(3) Paragraphs 2 to 4 of subsection 1 apply from the year 2006.

**350.** (1) Section 33.0.2 of the Act, amended by section 325 of chapter 1 of the statutes of 2005, is again amended by striking out “, including an amount described in subparagraph *c* of the first paragraph of section 34,” in subparagraph *b* of the first paragraph.

(2) Subsection 1 applies from the year 2006.

**351.** (1) Section 34 of the Act, amended by section 327 of chapter 1 of the statutes of 2005 and by section 269 of chapter 23 of the statutes of 2005, is again amended

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

“**34.** Every employer, except a prescribed employer, shall pay to the Minister of Revenue a contribution equal to the percentage, provided for in the second paragraph, of the wages that the employer pays to the employer’s

employee who reports for work at the employer's establishment in Québec, that the employer is deemed to pay to the employee or that the employer pays in respect of the employee, or to the employer's employee to whom those wages, if the employee is not required to report for work at an establishment of the employer, are paid, deemed to be paid or paid in respect of the employee from such an establishment in Québec.”;

(2) by striking out “or to any other amount” in the portion of the second paragraph before subparagraph *a*;

(3) by striking out “or the other amount,” in subparagraphs *i* and *ii* of subparagraph *a* of the second paragraph;

(4) by striking out “or any other amount” and “or the other amount” in the portion of subparagraph *b* of the second paragraph before subparagraph *i*;

(5) by striking out “, including an amount described in subparagraph *c* of the first paragraph,” in subparagraph *ii* of subparagraph *b* of the second paragraph;

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

“However, where the employer is an eligible employer at the time the wages are paid or deemed to be paid, where that time is included in the employer's exemption period and where the wages are not wages that would not be wages because of paragraph *a* of the definition of “wages” in the first paragraph of section 33 if section 64 of the Act respecting international financial centres (chapter C-8.3) were read as if “75%” in the first paragraph was replaced by “100%” and were read without reference to its second paragraph, no contribution is payable under this section in respect of 75% of the portion of the wages that does not exceed the amount by which the employer exemption at that time exceeds the aggregate of the other wages paid or deemed to be paid at that time by the employer, and each of which is wages in respect of which, in a proportion of 75%, no contribution is payable under this section by reason of this paragraph.”;

(7) by striking out “or the amount” and “or amount” in the portion of the sixth paragraph before subparagraph *a*;

(8) by striking out “or amount” wherever it appears in subparagraphs *a* to *e* of the seventh paragraph;

(9) by striking out “or amount” in the eight, ninth and tenth paragraphs;

(10) by replacing the eleventh paragraph by the following paragraph:

“However, the seventh paragraph does not apply in respect of wages paid or deemed to be paid by an excluded employer, except where, in the case of such wages referred to in subparagraph *d* of that paragraph in relation to a major investment project, an application in respect of the project, accompanied by the required documents, was sent to the Minister of Finance before 11 March 2003 so that no contribution would be payable under this section in respect of the wages because of that subparagraph *d*.”

(2) Subsection 1 applies from the year 2006.

**352.** (1) Section 34.0.0.0.1 of the Act is amended, in the first paragraph,

(1) by striking out “or any other amount” in the portion before subparagraph *a*;

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

“*i.* where the particular year is a year immediately following two consecutive years for which, except in the case of wages paid or deemed to be paid by the employer as a member of a partnership, the employer was subject to the contribution of this subdivision or, in the case of wages paid or deemed to be paid by the employer as a member of a partnership, the partnership would have been so subject had the presumptions in subparagraphs *i* and *ii* of subparagraph *b* of the second paragraph of section 34 applied, an amount equal to

(1) the contribution established in respect of the wages pursuant to section 34, or

(2) the contribution that would be established in respect of the wages pursuant to section 34 if the percentage applicable to the wages were the percentage that would be applicable if the employer’s total payroll for the particular year or, in the case of wages paid or deemed to be paid by the employer as a member of a partnership, the total payroll of the partnership for the particular year, were equal to the total payroll for the employer or partnership, as the case may be, for the preceding year.”;

(3) by replacing subparagraphs 1 and 2 of subparagraph *ii* of subparagraph *a* by the following subparagraphs:

“(1) the contribution established in respect of the wages pursuant to section 34, or

“(2) the contribution that would be established in respect of the wages pursuant to section 34 if the percentage applicable to the wages were the percentage that would be applicable to the wages if the employer’s total payroll for the particular year or, in the case of wages paid or deemed to be paid by the employer as a member of a partnership, the total payroll of the partnership for the particular year, were established on the assumption that the

particular year had ended on the last day of the period provided for in section 1015 of the Taxation Act in which the wages was paid or deemed to be paid, or”;

(4) by replacing subparagraph iii of subparagraph *a* by the following subparagraph:

“iii. where, in the case of wages paid or deemed to be paid by the employer as a member of a partnership, the partnership or, if such is not the case, the employer, ceases to carry on its business in the particular year, an amount equal to the amount by which the following amount exceeds the amount that the employer is required to pay pursuant to subparagraph i or ii in relation to the wages:

(1) the contribution established in respect of the wages pursuant to section 34, or

(2) the contribution that would be established in respect of the wages pursuant to section 34 if the percentage applicable to the wages were the percentage that would be applicable if the total payroll of the employer for the particular year or, in the case of wages paid or deemed to be paid by the employer as a member of a partnership, the total payroll of the partnership for the particular year, were established having regard only to wages paid or deemed to be paid by the employer or partnership, as the case may be, on or before the time at which the employer or partnership, as the case may be, ceased to carry on the business; and”;

(5) by striking out “or the other amount” in subparagraph *b*.

(2) Subsection 1 applies from the year 2006.

**353.** (1) Section 34.0.0.1 of the Act is amended by replacing subparagraph ii of paragraph *a* by the following subparagraph:

“ii. in respect of wages that are paid as a premium, an increase with retroactive effect or a vacation pay, that are paid to a trustee or custodian in respect of the employee or that do not relate to a regular pay period of the employee, an employee who ordinarily reports for work at that establishment;”.

(2) Subsection 1 applies from the year 2006.

**354.** (1) Section 34.0.1 of the Act is amended by inserting “43.3,” after “43,” in the portion before paragraph *a*.

(2) Subsection 1 applies from the year 2006.

**355.** (1) Section 34.1.4 of the Act, amended by section 270 of chapter 23 of the statutes of 2005, is again amended

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

“ii. any amount representing the individual’s income for the year from a business or property, computed in accordance with Part I of the Taxation Act but without reference to the second paragraph of section 497 of the said Act,”;

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

“(2) paragraph *k.0.1* of section 311, paragraph *g* of section 312 or section 317 of the said Act, if such amount is deductible in computing the individual’s taxable income for the year under section 725 of the said Act by reason of any of paragraphs *a.1*, *c* and *c.0.1* of that section 725, or is an amount received as a pension under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9), or”;

(3) by replacing “and 312.4” in subparagraph 3 of subparagraph iv of paragraph *a* by “, 312.4 and 313.10”;

(4) by replacing subparagraph i of paragraph *b* by the following subparagraph:

“i. any amount representing the individual’s loss for the year from a business or property, computed in the manner described in subparagraph ii of paragraph *a*,”;

(5) by replacing “*f* and *j*” in subparagraph 5 of subparagraph ii of paragraph *b* by “*f*, *i.1* and *j*”;

(6) by replacing subparagraph v.1 of paragraph *b* by the following paragraph:

“v.1. where the individual so elects, that part of any amount included in the aggregate determined under paragraph *a* and not otherwise deductible in computing the individual’s total income for the year, that relates to an eligible preceding year of the individual, in relation to that year and that the individual deducted under section 725.1.2 of the Taxation Act, or could have deducted under that section if the individual had made the election provided for in that section, in computing the individual’s taxable income for the year.”.

(2) Paragraphs 1 and 4 of subsection 1 apply to a fiscal period of a partnership that begins after 30 March 2004.

(3) Paragraph 2 of subsection 1 applies from the year 2005.

(4) Paragraphs 3 and 6 of subsection 1 apply from the year 2004.

(5) Paragraph 5 of subsection 1 applies from the year 2006.



**356.** (1) Section 34.1.5 of the Act is amended by adding the following paragraph after paragraph *b*:

“(c) in the case of an individual who, in the year, is a member of a partnership that operates an international financial centre, within the meaning of section 6 of the Act respecting international financial centres (chapter C-8.3), that individual is deemed to have, for the year,

i. realized an additional income from a business equal to the second aggregate that is mentioned in the first paragraph of section 52 of that Act and determined in respect of the individual for the year under that paragraph, and

ii. sustained an additional loss from a business equal to the first aggregate that is mentioned in the first paragraph of section 52 of that Act and determined in respect of the individual for the year under that paragraph.”

(2) Subsection 1 applies to a fiscal period of a partnership that begins after 30 March 2004.

**357.** (1) Section 34.1.6 of the Act, amended by section 328 of chapter 1 of the statutes of 2005, is again amended

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

“**34.1.6.** The contribution payable by an individual for a particular year under this subdivision is, without exceeding \$1,000, equal to the aggregate of the amount, where subparagraph v.1 of paragraph *b* of section 34.1.4 applies, determined in the second paragraph and”;

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

“The amount to which the first paragraph refers is equal to the aggregate of all amounts each of which is, for an eligible preceding year of the individual, in relation to the particular year, to which the amount deducted for the particular year in computing the individual’s total income under subparagraph v.1 of paragraph *b* of section 34.1.4 relates in whole or in part, the aggregate of

(a) the amount determined by the formula

A – B; and

(b) where the eligible preceding year is a year preceding the year immediately before the particular year, the amount of interest that would be computed, in respect of the eligible preceding year, in accordance with the second paragraph of section 28 of the Act respecting the Ministère du Revenu (chapter M-31) for the period beginning on 1 May of the year following the eligible preceding year and ending before the beginning of the particular year,

on the amount determined, in respect of the eligible preceding year, under subparagraph *a*, if that amount was a refund due by the Minister under a fiscal law.”;

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

“In the formula in subparagraph *a* of the second paragraph,

(*a*) *A* is the amount by which the amount of the contribution that the individual would have been required to pay under this subdivision for the eligible preceding year if the individual’s total income for the eligible preceding year had been increased by the portion, relating to that eligible preceding year, of the aggregate of the amounts deducted in computing the individual’s total income under subparagraph v.1 of paragraph *b* of section 34.1.4, for the particular year or for a preceding year, except, if the eligible preceding year ends before 1 January 2003, such an amount deducted in a year that ends before 1 January 2004, exceeds the amount of the contribution payable by the individual under this subdivision for that eligible preceding year; and

(*b*) *B* is the aggregate of all amounts each of which is equal to the amount determined, in respect of the eligible preceding year, by the formula in subparagraph *a* of the second paragraph for a year preceding the particular year.”;

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

“For the purpose of determining the second aggregate referred to in the portion of the second paragraph before subparagraph *a*, in respect of the eligible preceding year, the following rules apply:

(*a*) the proportion described in the fifth paragraph is deemed to be equal to 1 for the eligible preceding year; and

(*b*) where an individual was resident in Canada outside Québec on the last day of the eligible preceding year, the individual is deemed to have been resident in Québec on the last day of that eligible preceding year.”

(2) Subsection 1 applies from the year 2004.

**358.** (1) Section 37.9 of the Act is amended

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

“(c.1) the individual files with the Minister, for the year, a return in respect of the individual’s qualified wages, if the individual is for that year a person to whom section 51 of the Act respecting parental insurance (chapter A-29.011) applies, or in respect of the individual’s business income, for the purposes of Chapter IV of that Act;”;

(2) by replacing “produit au ministre” in paragraphs *d* and *e* in the French text by “présente au ministre”.

(2) Paragraph 1 of subsection 1 applies from the year 2006.

#### ACT RESPECTING THE QUÉBEC PENSION PLAN

**359.** (1) Section 50 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9), amended by section 334 of chapter 1 of the statutes of 2005, is again amended

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

“(a) the employee’s salary and wages for the year, described in the second paragraph, that the employee’s employer pays to or in respect of the employee, or is deemed to pay to the employee, minus the prescribed amount of the employee’s personal exemption; and”;

(2) by adding the following paragraphs:

“The salary and wages for a year to which subparagraph *a* of the first paragraph refers is the total of

(a) the base wages, within the meaning of section 1159.1 of the Taxation Act (chapter I-3), the employee receives for the year from pensionable employment, minus the amount deducted in computing the employee’s income for the year under section 76 of that Act; and

(b) the income the employee is deemed to receive for the year from pensionable employment under paragraph *a* of section 37.2.

“However, the salary and wages described in the second paragraph does not include any amount paid to the employee, paid in respect of the employee or deemed to be paid to the employee before the employee reaches 18 years of age or in a month that, because of a disability, is excluded from the employee’s contributory period under subparagraph *a* of the second paragraph of section 101.”

(2) Subsection 1 applies from the year 2006.

**360.** (1) Section 50.1 of the Act is amended by inserting “43.3,” after “43,” in the portion before paragraph *a*.

(2) Subsection 1 applies from the year 2006.

**361.** Section 82 of the Act is repealed.

## ACT RESPECTING THE QUÉBEC SALES TAX

**362.** (1) Section 1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), amended by section 347 of chapter 1 of the statutes of 2005, is again amended by inserting the following definition in alphabetical order:

““excisable goods” means beer or malt liquor, within the meaning of section 4 of the Excise Act (Revised Statutes of Canada, 1985, chapter E-14), and spirits, wine and tobacco products, within the meaning of section 2 of the Excise Act, 2001 (Statutes of Canada, 2002, chapter 22);”.

(2) Subsection 1 has effect from 1 July 2003.

**363.** (1) Section 54.2 of the Act is amended by replacing the portion before paragraph 1 by the following:

**“54.2.** Sections 54.1 and 54.1.1 do not apply”.

(2) Subject to subsection 3, subsection 1 applies to

(1) any supply of property by way of lease made by a person to a recipient under an original leaseback agreement, within the meaning of section 54.1.1 of the Act, entered into at any time after 31 December 1998 and the supply of the property by way of sale by the recipient to the person immediately before that time;

(2) any supply of the property by way of lease to the recipient made under a subsequent lease in respect of the original leaseback agreement, within the meaning of sections 54.1.3 and 54.1.4 of the Act, and

(3) any supply of the property by way of sale upon the exercise of an option to purchase provided for in the original leaseback agreement or in a subsequent lease, within the meaning of sections 54.1.3 and 54.1.4 of the Act, in respect of that original leaseback agreement.

(3) In the case where the original leaseback agreement is varied or renewed with the effect of increasing the number of payments that the recipient is obligated to make for supplies of the property by way of lease under that agreement and the variation or renewal takes effect before 1 July 1999, section 54.1.4 of the Act does not apply to that variation or renewal.

**364.** (1) Section 139 of the Act is amended by replacing “397” in the definition of “designated activity” and in subparagraph *a* of paragraph 1 of the definition of “para-municipal organization” by “397.2”.

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**365.** (1) Section 169.2 of the Act is amended by replacing "397" in subparagraph 2 of the second paragraph by "397.2".

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**366.** (1) Section 179 of the Act is amended by replacing the portion before paragraph 1 by the following:

**"179.** A supply of corporeal movable property, other than excisable goods, made by a person to a recipient, other than a consumer, who intends to ship the property outside Québec is a zero-rated supply if".

(2) Subsection 1 has effect from 1 July 2003.

**367.** (1) Section 179.1 of the Act is amended by replacing subparagraph 1 of the third paragraph by the following subparagraph:

"(1) excisable goods; or".

(2) Subsection 1 has effect from 1 July 2003.

**368.** (1) Section 179.2 of the Act is amended by replacing subparagraph 1 of the third paragraph by the following subparagraph:

“(1) excisable goods; or”.

(2) Subsection 1 has effect from 1 July 2003.

**369.** (1) Section 181 of the Act is replaced by the following section:

“**181.** A supply of an excisable good, if the recipient exports the good without the payment of duty in accordance with the Excise Act (Revised Statutes of Canada, 1985, chapter E-14) or the Excise Act, 2001 (Statutes of Canada, 2002, chapter 22), is a zero-rated supply.”

(2) Subsection 1 has effect from 1 July 2003.

**370.** (1) Section 247 of the Act is amended by replacing “397” in subparagraph *a* of subparagraph 2 of the second paragraph by “397.2”.

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person’s net tax

(*a*) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(*b*) as a result of the person ceasing before 1 January 2005 to be a registrant.

**371.** (1) Section 304 of the Act is amended by replacing “receiving” by “bankruptcy”.

(2) Subsection 1 has effect from 15 December 2004.

**372.** (1) Section 351 of the Act is amended, in the third paragraph,

(1) by replacing subparagraph 2 by the following subparagraph:

“(2) excisable goods;”;

(2) by striking out subparagraph 3.

(2) Subsection 1 has effect from 1 July 2003.

**373.** (1) Section 378.18 of the Act is amended by replacing “397” in the first paragraph by “397.2”.

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person’s net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**374.** (1) Section 383 of the Act is amended

(1) by replacing the portion before the definition of “charity” by the following:

“**383.** For the purposes of this section and sections 384 to 397.2;”;

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

““ancillary supply” means

(1) an exempt supply of a service of organizing or coordinating the making of facility supplies or home medical supplies in respect of which supply an amount, other than a nominal amount, is paid or payable to the supplier as medical funding, or

(2) the portion of an exempt supply, other than a facility supply, a home medical supply or a prescribed supply, of property or a service, other than a financial service, that represents the extent to which the property or service is, or is reasonably expected to be, consumed or used for making a facility supply and in respect of which portion an amount, other than a nominal amount, is paid or payable to the supplier as medical funding;

“external supplier” means a charity, a public institution or a qualifying non-profit organization, other than a hospital authority or a facility operator, that makes ancillary supplies, facility supplies or home medical supplies;

“facility operator” means a charity, a public institution or a qualifying non-profit organization, other than a hospital authority, that operates a qualifying facility referred to in section 385.1;

“facility supply” means an exempt supply, other than a prescribed supply, of a property or service in respect of which

(1) the property is made available, or the service is rendered, to an individual at a hospital centre, public hospital or qualifying facility as part of a medically necessary process of health care for the individual for the purpose of maintaining health, preventing disease, diagnosing or treating an injury, illness or disability or providing palliative health care, which process

(a) is undertaken in whole or in part at the hospital centre, public hospital or qualifying facility,

(b) is reasonably expected to take place under the active direction or supervision, or with the active involvement, of

- i. a medical practitioner acting in the course of the practice of medicine,
- ii. a midwife acting in the course of the practice of midwifery,
- iii. if a medical practitioner is not readily accessible in the geographic area in which the process takes place, a nurse acting in the course of the practice of nursing, or
- iv. a prescribed person acting in prescribed circumstances, and

(c) if chronic care requires the individual to stay overnight at the hospital centre, public hospital or qualifying facility, requires or is reasonably expected to require that

- i. a nurse be at the hospital centre, public hospital or qualifying facility at all times when the individual is at the hospital centre, public hospital or qualifying facility,
- ii. a medical practitioner or, if a medical practitioner is not readily accessible in the geographic area in which the process takes place, a nurse, be at, or be on-call to attend at, the hospital centre, public hospital or qualifying facility at all times when the individual is at the hospital centre, public hospital or qualifying facility,
- iii. throughout the process, the individual be subject to medical management and receive a range of therapeutic health care services that includes nursing care, and



iv. it not be the case that all or substantially all of each day or part of a day during which the individual stays at the hospital centre, public hospital or qualifying facility is time during which the individual does not receive therapeutic health care services referred to in subparagraph iii; and

(2) if the supplier does not operate the hospital centre, public hospital or qualifying facility, an amount, other than a nominal amount, is paid or payable as medical funding to the supplier;

“home medical supply” means an exempt supply, other than a facility supply or a prescribed supply, of a property or service, where

(1) the supply is made

(a) as part of a medically necessary process of health care for an individual for the purpose of maintaining health, preventing disease, diagnosing or treating an injury, illness or disability or providing palliative health care, and

(b) after a medical practitioner acting in the course of the practice of medicine, or a prescribed person acting in prescribed circumstances, has identified or confirmed that it is appropriate for the process to take place at the individual’s place of residence or lodging, other than a hospital centre, public hospital or qualifying facility;

(2) the property is made available, or the service is rendered, to the individual at the individual’s place of residence or lodging, other than a hospital centre, public hospital or qualifying facility, on the authorization of a person who is responsible for coordinating the process and under circumstances in which it is reasonable to expect that the person will carry out that responsibility in consultation with, or with ongoing reference to instructions for the process given by, a medical practitioner acting in the course of the practice of medicine, or a prescribed person acting in prescribed circumstances;

(3) all or substantially all of the supply is of a property or service other than meals, accommodation, domestic services of an ordinary household nature, assistance with the activities of daily living and social, recreational and other related services to meet the psycho-social needs of the individual; and

(4) an amount in respect of the supply, other than a nominal amount, is paid or payable as medical funding to the supplier;

“medical funding” of a supplier in respect of a supply means a sum of money, including a forgivable loan but not including any other loan or a refund, remission or rebate of, or credit in respect of, taxes, duties or fees imposed under an Act, that is paid or payable to the supplier in respect of health care services for the purpose of financially assisting the supplier in making the supply or as consideration for the supply by

(1) a government, or

(2) a person that is a charity, a public institution or a qualifying non-profit organization

(a) one of the purposes of which is organizing or coordinating the delivery of health care services to the public, and

(b) in respect of which it is reasonable to expect that a government will be the primary source of funding for the activities of the person that are in respect of the delivery of health care services to the public during the fiscal year of the person in which the supply is made;

““medical practitioner” means a physician within the meaning of the Medical Act (chapter M-9) and includes a person who is entitled under the laws of another province, the Northwest Territories, the Yukon Territory or Nunavut to practise the profession of medicine;

““qualifying funding” of the operator of a facility for all or part of a fiscal year of the operator means an ascertainable sum of money, including a forgivable loan but not including any other loan or a refund, remission or rebate of, or credit in respect of, taxes, duties or fees imposed under an Act, that is paid or payable to the operator in respect of the delivery of health care services to the public for the purpose of financially assisting in operating the facility during all or part of the fiscal year, as consideration for an exempt supply of making the facility available for use in making facility supplies at the facility during all or part of the fiscal year or as consideration for facility supplies of property that are made available, or services that are rendered, at the facility during all or part of the fiscal year and is paid or payable by

(1) a government, or

(2) a person that is a charity, a public institution or a qualifying non-profit organization

(a) one of the purposes of which is organizing or coordinating the delivery of health care services to the public, and

(b) in respect of which it is reasonable to expect that a government will be the primary source of funding for the activities of the person that are in respect of the delivery of health care services to the public during the fiscal year of the person in which the supply is made;

““specified activities” means activities referred to in any of subparagraphs *a*, *b* and *c* of subparagraph 3 of the second paragraph of section 386.2, other than activities engaged in the course of operating a hospital centre or public hospital;

““specified supply” of property of a person means

(1) a taxable supply made to the person at any time after 31 December 2004, of property that was owned on that date by the person or by another person who is related to the person at that time, or

(2) a taxable supply that the person is deemed under section 275 to have made after 31 December 2004, of property that was, on that date, owned by the person or by another person who last supplied the property to the person by way of sale and who was related to the person on the day the supply by way of sale was made.”;

(3) by adding the following paragraphs after paragraph 4 of the definition of “selected public service body”:

“(5) a facility operator; or

“(6) an external supplier;”;

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

““midwife” means a person who is entitled under the laws of Québec, another province, the Northwest Territories, the Yukon Territory or Nunavut to practise the profession of midwifery;”.

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person’s net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**375.** (1) The Act is amended by inserting the following section after section 385:

**“385.1.** For the purposes of sections 383 to 397.2, a facility or part of a facility, other than a hospital centre or public hospital, is a qualifying facility for all or part of a fiscal year of the operator of the facility or of part of the facility, if

(1) supplies of services that are ordinarily rendered during all or part of that fiscal year to the public at the facility or at part of the facility would be facility supplies if the references in the definition of “facility supply” in section 383 to “hospital centre, public hospital or qualifying facility” were references to the facility or of part of the facility;

(2) an amount, other than a nominal amount, is paid or payable to the operator as qualifying funding in respect of the facility or of part of the facility for all or part of the fiscal year; and

(3) an accreditation, licence or other authorization that is recognized or provided for under a law of Québec, another province, the Northwest Territories, the Yukon Territory, Nunavut or Canada in respect of facilities where health care services are provided applies to the facility or to part of the facility during all or part of that fiscal year.”

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person’s net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**376.** (1) Section 386 of the Act is amended by adding “, a facility operator or an external supplier” after “hospital authority” in subparagraph 4 of the first paragraph.

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**377.** (1) Section 386.2 of the Act is amended

(1) by replacing "Where a person" in the portion before subparagraph 1 of the first paragraph by "Subject to section 386.3, if a person";

(2) in the second paragraph,

(a) by replacing "3" in subparagraph 1 by "6",

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

"(a) an amount of tax in respect of a supply made to the person, or the bringing into Québec of the property by the person, at any time;";

(c) by replacing subparagraph 3 by the following subparagraph:

"(3) C is the extent, expressed as a percentage, to which the person intended, at that time, to consume, use or supply the property or service,

(a) in the case of a person acting as a hospital authority, in the course of activities engaged in by the person in operating a hospital centre or public hospital, operating a qualifying facility for use in making facility supplies, or in the course of making facility supplies, ancillary supplies or home medical supplies,

(b) in the case of a person acting as a facility operator, in the course of activities engaged in by the person in operating a qualifying facility for use in making facility supplies, or in the course of making facility supplies, ancillary supplies or home medical supplies,

(c) in the case of a person acting as an external supplier, in the course of activities engaged in by the person in making ancillary supplies, facility supplies or home medical supplies, or

(d) in any other case, in the course of activities engaged in by the person in operating an elementary or secondary school, a post-secondary college or post-secondary technical institute, a recognized degree-granting institution or a college affiliated with, or research institute of, such an institution, as the case may be."

(2) Paragraph 1 of subsection 1 has effect from 26 November 1997 and applies for the purpose of determining any rebate for which an application is received by the Minister of Revenue after 25 November 1997.

(3) Subparagraphs *a* and *c* of paragraph 2 of subsection 1 apply in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subparagraphs *a* and *c* of paragraph 2 of subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(*a*) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(*b*) as a result of the person ceasing before 1 January 2005 to be a registrant.

(4) Subparagraph *b* of paragraph 2 of subsection 1 has effect from 1 April 1997.

**378.** (1) The Act is amended by inserting the following section after section 386.2:

**“386.3.** An amount is not to be included in determining the amount referred to in B in the formula in section 386.2 in respect of a claim period of a person to the extent that

(1) the amount is included in determining an input tax refund of the person;

(2) it can reasonably be regarded that the person has obtained or is entitled to obtain a rebate, refund, remission of or compensation for the amount under any other section of this Act or under any other Act; or

(3) the amount is included in an amount refunded, adjusted or credited to or in favour of the person for which a credit note referred to in section 449 has been received by the person or a debit note referred to in that section has been issued by the person.”

(2) Subsection 1 has effect from 26 November 1997 and applies for the purpose of determining any rebate for which an application is received by the Minister of Revenue after 25 November 1997.

However, paragraph 3 of section 386.3 applies only to amounts that are refunded, adjusted or credited to or in favour of a person for which a credit note is received, or a debit note is issued, by the person after 10 December 1998.

**379.** (1) Section 387.1 of the Act is amended by replacing “397” by “397.2”

- (1) in the portion before paragraph 1;
- (2) in paragraph 1;
- (3) in the portion of paragraph 2 before subparagraph *a*;
- (4) in subparagraph *a* of paragraph 2.

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person’s net tax

(*a*) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(*b*) as a result of the person ceasing before 1 January 2005 to be a registrant.

**380.** (1) Section 389 of the Act is amended by replacing “397” by “397.2”.

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**381.** (1) Section 394 of the Act is replaced by the following section:

**“394.** Where a selected public service body acquires or brings into Québec property or a service primarily for consumption, use or supply in the course of activities engaged in by another selected public service body, for the purpose of determining the amount of a rebate under section 386 to the body in respect of the non-refundable input tax charged in respect of the property or service for any claim period of the body, the body is deemed to be engaged in those activities.”

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**382.** (1) Section 395 of the Act is amended by replacing “the expression” by ““selected public service body””.

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;



(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**383.** (1) The Act is amended by inserting the following sections after section 397:

**“397.1.** For the purposes of sections 383 to 397.2, where a person incurs all or substantially all of the tax that is included in determining the amount of the non-refundable input tax charged in respect of property or a service for a claim period of the person acting as a hospital authority, a facility operator or an external supplier, the person is deemed to have incurred all of the tax that is included in determining that amount in the course of fulfilling the person's responsibilities as a hospital authority, a facility operator or an external supplier, as the case may be.

**“397.2.** Despite sections 386 and 386.2, where a person who is a hospital authority, a facility operator or an external supplier is required to determine, for the person's claim period, a particular amount that is determined, in respect of a specified supply of any of the person's properties made at any time, by the formula in subparagraph 2 of the first paragraph of section 386.2 for the claim period and the value of C in subparagraph 3 of the second paragraph of section 386.2 is the extent to which the person intended, at that time, to consume, use or supply the property in the course of specified activities, the particular amount is to be determined by the formula

$$A \times [(B - C) / B].$$

For the purposes of the formula in the first paragraph,

(1) A is the amount that would, but for this section, be determined to be the particular amount;

(2) B is the fair market value of the property at the time of the supply; and

(3) C is the fair market value of the property on 1 January 2005.”

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**384.** (1) Section 402.15 of the Act is amended by replacing "397" in paragraph 2 by "397.2".

(2) Subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

**385.** (1) Section 457.1.2 of the Act is amended by inserting ", Nunavut" after "Yukon Territory".

(2) Subsection 1 has effect from 1 April 1999.

**386.** (1) Section 520 of the Act is amended by replacing subparagraph g of paragraph 14 by the following subparagraph:

"(g) the Employment Insurance Act (Statutes of Canada, 1996, chapter 23);".

(2) Subsection 1 has effect from 30 June 1996.

**387.** (1) The heading of Title IV.2 of the Act is replaced by the following heading:

“TAX ON LODGING”.

(2) Subsection 1 has effect from 1 July 2005.

**388.** (1) Section 541.23 of the Act is amended

(1) by striking out the definition of “commercial activity”;

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

““customer” means the recipient of a supply of an accommodation unit, but does not include the intermediary;”;

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

““intermediary” means the recipient of a supply of an accommodation unit who receives the supply only to again make a supply of the accommodation unit for consideration;”.

(2) Subsection 1 has effect from 1 July 2005.

**389.** (1) The heading of Chapter II of Title IV.2 of the Act is replaced by the following heading:

“IMPOSITION OF TAX”.

(2) Subsection 1 has effect from 1 July 2005.

**390.** (1) Section 541.24 of the Act is replaced by the following section:

“**541.24.** The customer shall, at the time of the supply of an accommodation unit in a prescribed sleeping-accommodation establishment situated in a prescribed tourist region, pay

(1) where the establishment is situated in a class 1 prescribed tourist region, a specific tax equal to \$2 per overnight stay for each unit; and

(2) where the establishment is situated in a class 2 prescribed tourist region,

(a) if the supply is made by the operator of a sleeping-accommodation establishment, a tax computed at the rate of 3% of the value of the consideration for the supply, and

(b) if the supply is made by an intermediary, a specific tax equal to \$3 per overnight stay for each unit.

For the purposes of subparagraph *a* of subparagraph 2 of the first paragraph, where a property or service is supplied together with the accommodation unit for a single consideration, the value of the consideration for the supply is solely the amount attributable to the supply of the accommodation unit.

For the purposes of the second paragraph, the Minister may determine the value of the consideration for the supply if the value is less than the supply's fair market value."

(2) Subsection 1 has effect from 1 July 2005.

**391.** (1) The Act is amended by inserting the following section after section 541.24:

**"541.24.1.** Where tax that is at any time payable under section 541.24 in respect of one or more supplies included in an agreement, invoice or receipt is an amount that includes a fraction of a cent, the fraction,

(1) if less than half of a cent, may be disregarded; and

(2) if equal to or greater than half of a cent, is deemed to be an amount equal to one cent."

(2) Subsection 1 has effect from 1 July 2005.

**392.** (1) Section 541.25 of the Act is amended by adding the following paragraph after the second paragraph:

"However, the operator of a sleeping-accommodation establishment or the intermediary who makes a supply for no consideration shall, as a mandatary of the Minister, collect, at the time the supply is made,

(1) where an accommodation unit referred to in subparagraph 1 of the first paragraph of section 541.24 is supplied, the tax provided for in that subparagraph; and

(2) where an accommodation unit referred to in subparagraph *b* of subparagraph 2 of the first paragraph of section 541.24 is supplied, the tax provided for in that subparagraph."

(2) Subsection 1 has effect from 1 April 1997. However,

(1) in respect of a supply made before 10 October 2003, the third paragraph of section 541.25 of the Act reads as follows:

"However, the person who makes a supply for no consideration of an accommodation unit referred to in section 541.24 shall, as a mandatary of the Minister, collect the tax at the time the supply is made."; and

(2) in respect of a supply made for the period beginning on 10 October 2003 and ending on 30 June 2005, the third paragraph of section 541.25 of the Act reads as follows:

“However, the operator of a sleeping-accommodation establishment or the intermediary who makes a supply for no consideration of an accommodation unit referred to in section 541.24 shall, as a mandatary of the Minister, collect the tax at the time the supply is made.”

**393.** (1) Section 541.29 of the Act is replaced by the following section:

**“541.29.** The person required to remit the tax to the Minister who, immediately before the day on which the tax becomes applicable, holds a registration certificate issued under Title I is deemed, for the purposes of this Title, to hold, on the day on which the tax becomes applicable, a registration certificate issued in accordance with section 541.30.”

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

**394.** (1) Section 541.33 of the Act is amended by striking out “specific” in the first paragraph.

(2) Subsection 1 has effect from 1 July 2005.

**395.** (1) Section 677 of the Act is amended, in the first paragraph,

(1) by replacing subparagraph 39 by the following subparagraph:

“(39) determine, for the purposes of section 383, which supplies, persons, circumstances, government bodies and manner are prescribed supplies, prescribed persons, prescribed circumstances, prescribed bodies and the prescribed manner;”;

(2) by replacing subparagraph 55.1 by the following subparagraph:

“(55.1) determine, for the purposes of section 541.24, the prescribed sleeping-accommodation establishments, the prescribed tourist regions and the prescribed classes;”;

(3) by inserting the following subparagraph after subparagraph 55.1:

“(55.1.1) determine, for the purposes of section 541.32, the prescribed manner;”.

(2) Paragraph 1 of subsection 1 applies in respect of determining a rebate for a claim period ending after 31 December 2004. However, the rebate of a person, for a claim period that includes 1 January 2005, is to be determined as if paragraph 1 of subsection 1 had not come into force in respect of

(1) an amount of tax that becomes payable by the person before 1 January 2005;

(2) an amount that is deemed to have been paid or collected by the person before 1 January 2005; or

(3) an amount that is required to be added in determining the person's net tax

(a) as a result of a division or branch of the person becoming a small supplier division before 1 January 2005, or

(b) as a result of the person ceasing before 1 January 2005 to be a registrant.

(3) Paragraph 2 of subsection 1 has effect from 1 July 2005.

(4) Paragraph 3 of subsection 1 has effect from 1 April 1997.

#### FUEL TAX ACT

**396.** (1) Section 10.1 of the Fuel Tax Act (R.S.Q., chapter T-1), amended by section 236 of chapter 6 of the statutes of 2005, is again amended

(1) by inserting the following paragraph after the first paragraph:

“However, in the case of biodiesel fuel, the following rules apply in respect of the reimbursement provided for in the first paragraph:

(a) the amount of the reimbursement is equal to all of the tax; and

(b) if the biodiesel fuel is mixed with another type of fuel, the reimbursement provided for in subparagraph *a* only applies in respect of the biodiesel fuel.”;

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

“For the purposes of this section,

(a) “biodiesel fuel” means an oxygenated ester- or ether-based fuel derived from vegetable oils or animal fats; and

(b) “public carrier” means a public body providing public transport, a municipality, an intermunicipal management board, an intermunicipal board of transport, any holder of a public transport permit issued under the Transport Act (chapter T-12) and any carrier which is a party to a contract entered into under section 3 of the Act respecting intermunicipal boards of transport in the area of Montréal (chapter C-60.1) or section 48.18 of the Transport Act (chapter T-12).”

(2) Subsection 1 applies in respect of the biodiesel fuel or a fuel consisting of biodiesel fuel and another type of fuel acquired by a public carrier after 21 April 2005.

**397.** (1) Section 10.10 of the Act is amended by replacing “on or before the last” by “on or before the fifteenth”.

(2) Subsection 1 applies in respect of a bad debt all or part of which is recovered by the holder of a collection officer’s permit after 30 April 2005.

**398.** (1) Section 13 of the Act is amended by replacing “not later than the last” in the first paragraph by “on or before the fifteenth”.

(2) Subsection 1 applies in respect of the tax that a retail dealer has collected or should have collected, under section 12 of the Act, from 1 May 2005.

**399.** (1) Section 14 of the Act is amended by replacing “not later than the last” in the first paragraph by “on or before the fifteenth”.

(2) Subsection 1 applies in respect of a report that a wholesale dealer or retail dealer is required to make for a month beginning after 30 April 2005.

**400.** (1) Section 15 of the Act is amended

(1) by replacing “not later than the last” in the first paragraph by “on or before the fifteenth”;

(2) by replacing “gasoline” in the second paragraph by “fuel”.

(2) Paragraph 1 of subsection 1 applies in respect of fuel acquired by a consumer from 1 May 2005.

**401.** (1) Section 15.1 of the Act is amended

(1) by replacing “not later than the last” in the first paragraph by “on or before the fifteenth”;

(2) by replacing “fuel” in the second paragraph by “gasoline”.

(2) Paragraph 1 of subsection 1 applies in respect of gasoline acquired by a consumer from 1 May 2005.

**402.** (1) Section 17.1 of the Act is amended by replacing “not later than the last” in paragraph *a* by “on or before the fifteenth”.

(2) Subsection 1 applies in respect of gasoline that a person brings or causes to be brought in the area of jurisdiction of the Agence métropolitaine de transport from 1 May 2005.

**403.** (1) Section 51.2 of the Act is amended by replacing “not later than the last” in the first paragraph by “on or before the fifteenth”.

(2) Subsection 1 applies in respect of an amount equal to the tax that the holder of a collection officer’s permit has collected or should have collected, under section 51.1 of the Act, from 1 May 2005.

#### ACT RESPECTING PARENTAL INSURANCE

**404.** (1) Section 139 of the Act respecting parental insurance (2001, chapter 9) is repealed.

(2) Subsection 1 has effect from 1 January 2006.

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

**405.** (1) Section 207 of the Act giving effect to the Budget Speech delivered on 12 June 2003 and to certain other budget statements (2004, chapter 21) is amended by replacing “from 1 January 2003” in the portion of subsection 3 before paragraph 1 by “from 1 January 2001”.

(2) Subsection 1 has effect from 3 November 2004.

#### ACT TO AMEND THE TOBACCO ACT AND OTHER LEGISLATIVE PROVISIONS

**406.** Section 63 of the Act to amend the Tobacco Act and other legislative provisions (2005, chapter 29) is amended by replacing section 13.5 of the Tobacco Tax Act (R.S.Q., chapter I-2), that it replaces, by the following section:

“**13.5.** Despite sections 13.4 and 13.4.2, if raw tobacco, packages of tobacco or a vehicle is seized, a judge of the Court of Québec may authorize the Minister in writing, on application by the Minister, to sell the raw tobacco, packages of tobacco or vehicle or have them sold on the conditions determined in the authorization. An authorization concerning raw tobacco or packages of tobacco must also provide for samples to be kept in sufficient quantity to serve as evidence. Prior notice must be served at least one clear day before the application on the person from whom the raw tobacco, packages of tobacco or vehicle was seized and on the persons who claim to have a right in the raw tobacco, packages of tobacco or vehicle, if the identity of these persons is known. The proceeds of the sale, after deduction of the costs, must be kept by a person authorized by the Minister in the manner prescribed by regulation until disposed of according to law.”



## TRANSITIONAL AND FINAL PROVISIONS

**407.** Despite any agreement made by the Minister of Revenue under section 17 of the Tobacco Tax Act (R.S.Q., chapter I-2) providing for terms and conditions and special time limits regarding a person's obligation to make a report, pay or remit, as the case may be, the tobacco tax or the amount equal to that tax, that person must, on or before the fifteenth day of each month or the fifteenth day following the end of any other period specified in the agreement, report to the Minister and at the same time pay or remit that tax or amount to the Minister that the person is required under the agreement to pay or remit for the preceding month or period.

In addition, any other report or document that the person is required to file with the Minister for that month or period must, despite any agreement, be filed within the time provided for in the first paragraph.

For the purposes of the first and second paragraphs, a person is required, where applicable, to pay or remit the tobacco tax or the amount equal to that tax or file any report or document for a month or period that begins after 30 April 2005.

**408.** For the purposes of the Taxation Act (R.S.Q., chapter I-3) in relation to any taxation year preceding the taxation year 2005, any amount that an individual received during the year as a pension under the compensation program for victims of vaccination established under the Public Health Protection Act (R.S.Q., chapter P-35), as that Act applied before 20 December 2001, or under Division III of Chapter VII of the Public Health Act (R.S.Q., chapter S-2.2) is deemed to be an amount received during the year as an income replacement indemnity in the form of a pension under Chapter II of Title II of the Automobile Insurance Act (R.S.Q., chapter A-25).

**409.** For the taxation year 2004, a taxpayer shall include in computing the taxpayer's taxable income any amount deducted in computing the taxpayer's income for that year under paragraph *d.3.1* of section 336 of the Taxation Act (R.S.Q., chapter I-3) as a reimbursement of an amount described in any of paragraphs *k.1* to *k.5* of section 311 of that Act, to the extent that that amount has been deducted in computing the taxpayer's taxable income for that year or a preceding taxation year under paragraph *b* or *b.1* of section 725 of that Act.

For the taxation year 2004, section 693 of the Taxation Act reads as if "the first paragraph of section 409 of chapter 38 of the statutes of 2005," was inserted after "694.0.3," in the second paragraph.

**410.** For the purposes of sections 710 to 716.0.3 and 752.0.10.1 to 752.0.10.18 of the Taxation Act (R.S.Q., chapter I-3), a taxpayer who has made a gift after 31 December 2004 and before 12 January 2005 and, in the case of a corporation, whose taxation year ends on 31 December 2004, is deemed to have made a gift in the taxpayer's taxation year that ended before 1 January 2005 and not in the taxpayer's taxation year that ended before 1 January 2006, if

(a) the taxpayer claimed a deduction under section 710 or 752.0.10.6 of the Taxation Act in computing the taxpayer's taxable income or the taxpayer's tax payable under Part I of the Act for the taxpayer's taxation year that ended before 1 January 2005;

(b) the gift was made to a registered charity referred to in paragraph *b* of section 6 of the Act to implement certain provisions of the budget tabled in Parliament on February 23, 2005 (Statutes of Canada, 2005, chapter 30); and

(c) the taxpayer directed the registered charity referred to in paragraph *b* to apply the gift to the tsunami relief effort.

**411.** Despite any agreement made by the Minister of Revenue under section 51 of the Fuel Tax Act (R.S.Q., chapter T-1) providing for terms and conditions and special time limits regarding a person's obligation to make a report, pay or remit, as the case may be, the fuel tax or the amount equal to that tax, that person must, on or before the fifteenth day of each month, report to the Minister and at the same time pay or remit that tax or amount to the Minister that the person is required under the agreement to pay or remit for the preceding month.

In addition, any other report or document that the person is required to file with the Minister for that month must, despite any agreement, be filed within the time provided for in the first paragraph.

For the purposes of the first and second paragraphs, a person is required, where applicable, to pay or remit the fuel tax or the amount equal to that tax or file any report or document for a month that begins after 30 April 2005.

**412.** This Act comes into force on 13 December 2005, except sections 283 and 284, which come into force on the date to be set by the Government.