



NATIONAL ASSEMBLY

SECOND SESSION

THIRTY-SEVENTH LEGISLATURE

Bill 46

(2006, chapter 37)

Cooperative Investment Plan Act

Introduced 7 November 2006

Passage in principle 16 November 2006

Passage 30 November 2006

Assented to 6 December 2006

**Québec Official Publisher
2006**

EXPLANATORY NOTES

The bill introduces a new Cooperative Investment Plan intended to enhance the capitalization of certain cooperatives and federations of cooperatives. The rules applicable to the new plan were announced in the Budget Speeches delivered on 30 March 2004 and 23 March 2006 and in Information Bulletins 2004-6 dated 30 June 2004, 2004-11 dated 22 December 2004 and 2005-7 dated 19 December 2005 published by the Ministère des Finances.

The bill also amends the Taxation Act mainly to introduce or amend certain measures that concern, in particular,

(1) the dates on which the former Cooperative Investment Plan ceases to apply;

(2) a deduction relating to the acquisition of securities that qualify under the new plan, and accessory rules concerning that deduction;

(3) special taxes to ensure compliance with the conditions of qualification and the integrity of the new measures; and

(4) applicable penalties, in particular, in the case of a redemption contravening the Cooperative Investment Plan Act.

LEGISLATION AMENDED BY THIS BILL:

– Taxation Act (R.S.Q., chapter I-3).

Bill 46

COOPERATIVE INVESTMENT PLAN ACT

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

CHAPTER I

PURPOSE

1. The purpose of this Act is to introduce a tax incentive to increase the permanent capitalization of certain cooperatives and federations of cooperatives needing equity capital for their development.

CHAPTER II

INTERPRETATION

DIVISION I

GENERAL DEFINITIONS

2. In this Act, unless the context indicates otherwise,

“allowable redemption or repayment”, in respect of a qualifying security, means a redemption or repayment that occurs,

(1) if the security is held by an individual who acquired it as first purchaser and who is a member of the qualified cooperative or qualified federation of cooperatives, on the individual’s death or on the individual’s resignation or exclusion from that cooperative or federation of cooperatives;

(2) if the security is held by a trust governed by a registered retirement savings plan of the type commonly called self-directed or by a registered retirement income fund the annuitant of which is an individual who is a member of the qualified cooperative or qualified federation of cooperatives, and was acquired, as first purchaser, by the individual or by a trust governed by a registered retirement savings plan of which the individual was the annuitant, on the individual’s death or on the individual’s resignation or exclusion from that cooperative or federation of cooperatives;

(3) if the security is held by an individual who is not a member of the qualified cooperative or qualified federation of cooperatives and who acquired the security as first purchaser in the individual’s capacity as an employee of

that cooperative or federation of cooperatives, of a partnership of which that cooperative or federation of cooperatives is a member or of a subsidiary of that cooperative or federation of cooperatives, on the individual's death, on the termination of the individual's employment or on the individual's becoming disabled;

(4) if the security is held by a trust governed by a registered retirement savings plan of the type commonly called self-directed or by a registered retirement income fund the annuitant of which is an individual who is not a member of the qualified cooperative or qualified federation of cooperatives, and was acquired, as first purchaser, by the individual in the individual's capacity as an employee of that cooperative or federation of cooperatives, of a partnership of which that cooperative or federation of cooperatives is a member or of a subsidiary of that cooperative or federation of cooperatives, or by a trust governed by a registered retirement savings plan of which the individual was the annuitant, on the individual's death, on the termination of the individual's employment or on the individual's becoming disabled;

(5) if the security is held by a partnership that acquired it as first purchaser and that is a member of the qualified cooperative or qualified federation of cooperatives, on the partnership's resignation or exclusion from that cooperative or federation of cooperatives;

(6) if the security is held by an individual who is not a member of the qualified cooperative or qualified federation of cooperatives but who is a shareholder of a legal person that is a member of that cooperative or federation of cooperatives, and was acquired by the individual as first purchaser, on the individual's death or on the legal person's resignation or exclusion from that cooperative or federation of cooperatives; or

(7) if the security is held by a trust governed by a registered retirement savings plan of the type commonly called self-directed or by a registered retirement income fund the annuitant of which is an individual who is not a member of the qualified cooperative or qualified federation of cooperatives but who is a shareholder of a legal person that is a member of that cooperative or federation of cooperatives, and was acquired, as first purchaser, by the individual or by a trust governed by a registered retirement savings plan of which the individual was the annuitant, on the individual's death or on the legal person's resignation or exclusion from that cooperative or federation of cooperatives;

“assets” of a cooperative or federation of cooperatives for a year means the assets shown in its financial statements for its last fiscal period ended in the year, less the surplus reassessment of its property and less the amount of its incorporeal assets that exceeds the expenditure made in that respect without taking account of any consideration for the purchase of those incorporeal assets which consists of a share of the cooperative's or federation's capital stock;

“associate member” has the meaning assigned by sections 211 to 211.8 of the Cooperatives Act (R.S.Q., chapter C-67.2);

“auxiliary member” has the meaning assigned by sections 52 and 52.1 of the Cooperatives Act;

“business” means a business within the meaning of section 1 of the Taxation Act (R.S.Q., chapter I-3) or part of such a business;

“capitalization rate” means, in respect of a cooperative or federation of cooperatives, the proportion that its equity is of its total assets, determined in accordance with Chapter II of the Regulation under the Cooperatives Act made by Order in Council 953-2005 (2005, G.O. 2, 4736), on the basis of the audited financial statements of the cooperative or federation of cooperatives;

“controlled subsidiary” means a legal person more than 50% of whose issued capital stock having full voting rights under all circumstances belongs, directly or indirectly, to the cooperative or federation of cooperatives to which it is subsidiary;

“eligible member” of a partnership means an individual who is a member of a partnership at the end of a fiscal period of the partnership and who, at that time, carries on activities as an agricultural producer through that partnership;

“employee” has the meaning assigned by section 1 of the Taxation Act;

“equity” means the equity determined in accordance with Chapter II of the Regulation under the Cooperatives Act, made by Order in Council 953-2005 (2005, G.O. 2, 4736) as amended, at the end of the last fiscal period preceding 23 April 1985 or at the end of the last fiscal period ending in the calendar year that precedes the year of the application for authorization under section 10, after the allocation of the surplus earnings or operating surplus of the fiscal period and the payment of taxes, and taking account of variations in the capital stock from the end of that fiscal period to 23 April 1985 or to the date of that application for authorization, whichever date is applicable, but without including the deficits for fiscal periods ending after 23 April 1985;

“expansion or development project” means a project whose expenditures relate to capital investments such as the acquisition or modernization of machinery, plants or warehouses, to the working capital needed to carry out the project or to the planned acquisition or increase of interests in entities whose activities are related to the object of the cooperative or federation of cooperatives;

“farm cooperative” means a cooperative of producers whose main object is agriculture-related and the majority of whose members, other than associate members and auxiliary members, carry on a recognized farming business;

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

“member” means an individual or partnership that is capable of actually being a user of the services of the qualified cooperative or qualified federation of cooperatives and that has been admitted as such;

“Minister” means the Minister of Economic Development, Innovation and Export Trade;

“producer” has the meaning assigned by section 193.2 of the Cooperatives Act;

“producers cooperative” has the meaning assigned by section 193.1 of the Cooperatives Act;

“qualified cooperative” has the meaning assigned by section 3;

“qualified federation of cooperatives” has the meaning assigned by section 4;

“qualifying security” has the meaning assigned by section 6;

“recognized farming business” means an agricultural operation registered with the Ministère de l’Agriculture, des Pêcheries et de l’Alimentation in accordance with a regulation under section 36.15 of the Act respecting the Ministère de l’Agriculture, des Pêcheries et de l’Alimentation (R.S.Q., chapter M-14);

“shareholding workers cooperative” has the meaning assigned by section 225 of the Cooperatives Act;

“solidarity cooperative” has the meaning assigned by section 226.1 of the Cooperatives Act;

“supporting member” has the meaning assigned by section 226.1 of the Cooperatives Act;

“work cooperative” has the meaning assigned by section 222 of the Cooperatives Act.

For the purposes of the definition of “equity” in the first paragraph in respect of a cooperative resulting from an amalgamation that occurred after 23 April 1985, the equity of that cooperative on the date of the amalgamation is deemed to be equal to the aggregate of the equities on that date of the cooperatives that amalgamated or of the cooperative and the legal person that amalgamated, without taking account of the shares held by the amalgamated cooperative or legal person in another amalgamated cooperative. The same rule applies, with the necessary modifications, to a federation of cooperatives resulting from an amalgamation that occurred after 23 April 1985.

For the purposes of paragraphs 3 and 4 of the definition of “allowable redemption or repayment” in the first paragraph, an individual is considered to be disabled only if declared to have a severe and prolonged mental or physical disability that prevents the individual from continuing to work.

DIVISION II

QUALIFIED COOPERATIVE

3. In this Act, “qualified cooperative” means, subject to the second paragraph, a cooperative governed by the Cooperatives Act that meets the following conditions at the end of the last fiscal period ending in the calendar year that precedes the year of the application for authorization under section 10:

- (1) the cooperative is
 - (a) a work cooperative,
 - (b) a shareholding workers cooperative,
 - (c) a solidarity cooperative that would be a work cooperative but for its supporting members,
 - (d) a producers cooperative or a solidarity cooperative that would be a producers cooperative but for its supporting members, so long as at least 90% of the goods or services it provides, including those provided through a partnership or a controlled subsidiary, are provided to persons or partnerships that procure those goods or services for the purpose of earning income from a business, or
 - (e) a farm cooperative;
- (2) its central management is in Québec;
- (3) more than 50% of the wages paid to its employees were paid to employees who, within the meaning of the regulations under section 771 of the Taxation Act, are employees of an establishment situated in Québec;
- (4) in the case of a shareholding workers cooperative, the majority of the assets held by the legal person of which the cooperative is a shareholder are situated in Canada and, in any other case, the majority of the assets held by the cooperative, including those held by a controlled subsidiary, by a partnership of which the cooperative is the majority member or by a trust to which the cooperative has transferred property, are situated in Canada;
- (5) its capitalization rate is less than 60%, except in the case of a work cooperative, a shareholding workers cooperative or a cooperative that has obtained an exemption in accordance with Chapter IV;

(6) its equity other than securities issued for the purposes of this Act and of the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche (R.S.Q., chapter M-30.01) is equal to at least 80% of that equity on 23 April 1985; and

(7) the Minister is of the opinion that the cooperative is in compliance with the Cooperatives Act.

If the cooperative described in the first paragraph is a shareholding workers cooperative, the legal person of which the cooperative holds shares must meet the following conditions at the end of the legal person's last fiscal period ending in the calendar year that precedes the year of the application for authorization under section 10:

(1) its central management is in Québec; and

(2) more than 50% of the wages paid to its employees and, where applicable, to the employees of the legal persons with which it is associated, within the meaning of the Taxation Act, were paid to employees who, within the meaning of the regulations under section 771 of that Act, are employees of an establishment situated in Québec.

For the purposes of the first and second paragraphs, in the case of a cooperative or legal person in its first fiscal period, the reference to the end of its last fiscal period ending in the calendar year that precedes the year of the application for authorization under section 10 is to be replaced by a reference to the end of the first fiscal period of the cooperative or legal person, if the Minister is satisfied that, at the end of that first fiscal period, the cooperative or legal person will meet all the conditions applicable to it.

DIVISION III

QUALIFIED FEDERATION OF COOPERATIVES

4. In this Act, “qualified federation of cooperatives” means a federation of cooperatives governed by the Cooperatives Act that meets the following conditions at the end of the last fiscal period ending in the calendar year that precedes the year of the application for authorization under section 10:

(1) the majority of its members, other than auxiliary members, are work cooperatives, shareholding workers cooperatives, producers cooperatives or persons or partnerships that carry on a recognized farming business;

(2) its central management is in Québec;

(3) more than 50% of the wages paid to its employees were paid to employees who, within the meaning of the regulations under section 771 of the Taxation Act, are employees of an establishment situated in Québec;

(4) the majority of the assets held by the federation of cooperatives, including those held by a controlled subsidiary, by a partnership of which the federation of cooperatives is the majority member or by a trust to which the federation of cooperatives has transferred property, are situated in Canada;

(5) its capitalization rate is less than 60%, except in the case of a federation of cooperatives that has obtained an exemption in accordance with Chapter IV;

(6) its equity other than securities issued for the purposes of this Act and of the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche is equal to at least 80% of that equity on 23 April 1985; and

(7) the Minister is of the opinion that the federation of cooperatives is in compliance with the Cooperatives Act.

DIVISION IV

OTHER QUALIFIED COOPERATIVES OR FEDERATIONS OF COOPERATIVES

5. A cooperative or federation of cooperatives governed by the Canada Cooperatives Act (Statutes of Canada, 1998, chapter 1) may also elect to have this Act apply if it meets the same requirements, with the necessary modifications, as those imposed on a cooperative or federation of cooperatives under the Cooperatives Act and this Act.

DIVISION V

QUALIFYING SECURITY

6. In this Act, “qualifying security” means a preferred share that is issued by a qualified cooperative or qualified federation of cooperatives and that meets the following conditions:

(1) its issue is authorized by the Minister under a qualification certificate issued after 30 March 2004;

(2) it is acquired, as first purchaser, by a qualified investor in respect of the qualified cooperative or qualified federation of cooperatives;

(3) if interest is to be paid on the security, it bears interest at a maximum rate determined by resolution of the board of directors of the qualified cooperative or qualified federation of cooperatives, which interest must be non-cumulative and payable annually when decided by the board of directors if the financial situation of the qualified cooperative or qualified federation of cooperatives so allows; and

(4) subject to section 7, it is redeemable or repayable only after the expiry of a period of at least five years beginning on the date of its issue.

DIVISION VI

REDEMPTIONS OR REPAYMENTS OF SECURITIES

7. A qualifying security may, at the discretion of the board of directors of a qualified cooperative or qualified federation of cooperatives, be redeemed or repaid before the expiry of the period specified in paragraph 4 of section 6, so long as the redemption or repayment is an allowable redemption or repayment and the characteristics of the security provide for such redemption or repayment.

8. If a qualified cooperative or qualified federation of cooperatives has made more than one issue of qualifying securities, they must be redeemed or repaid according to their seniority, subject to section 7.

DIVISION VII

QUALIFIED INVESTOR

9. In this Act, “qualified investor” in respect of a qualifying security of a qualified cooperative or qualified federation of cooperatives means

(1) an individual who is

(a) a member, other than a supporting member, auxiliary member or associate member, of the qualified cooperative or qualified federation of cooperatives, or

(b) an employee of the qualified cooperative or qualified federation of cooperatives;

(2) a partnership that is a member of the qualified cooperative or qualified federation of cooperatives, so long as the cooperative or federation is a farm cooperative or a federation of cooperatives the majority of whose members are farm cooperatives or persons or partnerships that carry on a recognized farming business, such a federation being in this section referred to as a “federation of farm cooperatives”;

(3) an individual who, at the time the qualifying security is issued, holds at least 10% of the shares of the issued capital stock having full voting rights under all circumstances of a legal person that is a member, at that time, of the qualified cooperative or qualified federation of cooperatives, so long as the cooperative or federation is a farm cooperative or federation of farm cooperatives;

(4) an individual who is an employee of a partnership of which the qualified cooperative or qualified federation of cooperatives is a member and all of whose other members, other than a general partner, are producers cooperatives or federations of producers cooperatives, so long as

(a) at least 90% of the partnership's activities are processing or farming activities or consist in providing goods or services to persons or partnerships that procure those goods or services for the purpose of earning income from a business,

(b) under the terms of an agreement entered into between the qualified cooperative or qualified federation of cooperatives and the partnership, the proceeds of the issue of qualifying securities are to be paid to the partnership, and

(c) the existence of the agreement referred to in subparagraph *b* is certified by a certificate issued by the Minister;

(5) an individual who is an employee of a partnership of which the qualified cooperative or qualified federation of cooperatives is a member, provided that the cooperative or federation is a producers cooperative or a federation of cooperatives the majority of whose members are producers cooperatives or persons or partnerships that carry on a recognized farming business, and so long as

(a) at least 90% of the partnership's activities are processing or farming activities or consist in providing goods or services to persons or partnerships that procure those goods or services for the purpose of earning income from a business, and

(b) at the time the qualifying security is issued, the qualified cooperative or qualified federation of cooperatives holds an interest in the partnership that enables the cooperative or federation to participate in the profit or loss of the partnership in a proportion greater than 50%;

(6) an individual who is an employee of a controlled subsidiary of the qualified cooperative or qualified federation of cooperatives, provided that the cooperative or federation is, as the case may be, a producers cooperative or a federation of cooperatives the majority of whose members are producers cooperatives or persons or partnerships that carry on a recognized farming business, and so long as at least 90% of the controlled subsidiary's activities are processing or farming activities or consist in providing goods or services to persons or partnerships that procure those goods or services for the purpose of earning income from a business; or

(7) a trust governed by a registered retirement savings plan of the type commonly called self-directed, so long as the trust acquires the qualifying security for the benefit of an annuitant within the meaning of paragraph *b* of section 905.1 of the Taxation Act who would otherwise qualify as a qualified investor.

CHAPTER III

APPLICATIONS FOR AUTHORIZATION AND QUALIFICATION CERTIFICATES

DIVISION I

APPLICATIONS FOR AUTHORIZATION

10. A cooperative or federation of cooperatives wishing to obtain the Minister's authorization to issue preferred shares for the purposes of this Act must send the Minister a written application along with

(1) an excerpt from the by-law of the cooperative or federation of cooperatives authorizing the issue of preferred shares;

(2) a copy of the resolution of the board of directors determining how the preferred shares are to be issued;

(3) an attestation signed by two directors certifying that the conditions set out in subparagraphs 1 to 4 of the first paragraph of section 3 or paragraphs 1 to 4 of section 4 have been met;

(4) an attestation signed by two directors certifying that the conditions set out in the second paragraph of section 3 have been met;

(5) the following information and documents:

(a) a certificate signed by the auditor of the books of the cooperative or federation of cooperatives certifying that its capitalization rate is less than 60%, except in the case of a work cooperative or shareholding workers cooperative, or

(b) the information and documents specified in section 18 in respect of an expansion or development project;

(6) a certificate signed by the auditor of the books of the cooperative or federation of cooperatives certifying that the condition set out in subparagraph 6 of the first paragraph of section 3 or paragraph 6 of section 4 has been met;

(7) a copy of the last annual report of the cooperative or federation of cooperatives, subject, in the case of a cooperative, to the third paragraph of section 3; and

(8) any other information required in relation to the qualification of the cooperative or federation of cooperatives.

DIVISION II**QUALIFICATION CERTIFICATES**

11. After examination of an application under section 10, the Minister, if of the opinion that this Act has been complied with, issues a qualification certificate authorizing the cooperative or federation of cooperatives concerned to issue preferred shares. Subject to section 19, the authorization is valid until the revocation of the qualification certificate.

12. The Minister may revoke a qualification certificate in the following cases, if information or documents brought to the Minister's attention so justify:

(1) one of the conditions set out in any of sections 3 to 5 is no longer being complied with or the cooperative or federation of cooperatives has issued securities to an investor who is not a qualified investor;

(2) the cooperative or federation of cooperatives, knowingly or under circumstances amounting to gross negligence, has made a false statement or omitted to enter important information in any document required for the purposes of this Act or in any information return it is required to file with the Minister of Revenue under section 1086 of the Taxation Act;

(3) the cooperative or federation of cooperatives has omitted to send any document required for the purposes of this Act;

(4) the cooperative or federation of cooperatives, being governed by the Cooperatives Act or by the Canada Cooperatives Act, did not send a copy of its annual report within the time prescribed, as required by the Cooperatives Act or this Act;

(5) the cooperative or federation of cooperatives was constituted or organized primarily to take advantage of this plan and not to serve its object; or

(6) the cooperative or federation of cooperatives has been required to produce a cooperative compliance program or has failed to produce such a program or to implement it within the time prescribed.

13. The qualification certificate of a cooperative or federation of cooperatives is automatically revoked on the date of its dissolution or on the date on which its winding-up was decided when the cooperative or federation of cooperatives is dissolved under the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons (R.S.Q., chapter P-45), the Cooperatives Act or the Canada Cooperatives Act or has decided to proceed with its winding-up in accordance with the Cooperatives Act or the Canada Cooperatives Act.

14. Before revoking a qualification certificate, the Minister must inform the cooperative or federation of cooperatives concerned of the Minister's intention to do so, specifying the grounds on which it is based, and give the cooperative or federation of cooperatives the opportunity to submit observations within 30 days and to produce any relevant documents.

15. To revoke a qualification certificate in accordance with section 12, the Minister must send the cooperative or federation of cooperatives concerned a notice to that effect specifying the date on which the revocation is effective. That date may not be earlier than the date of the notice. The certificate is deemed no longer valid from that date.

The notice of revocation of a qualification certificate must be sent to the head office of the cooperative or federation of cooperatives by registered mail.

16. A cooperative or federation of cooperatives whose certificate has been revoked in accordance with sections 12 and 13 may not obtain a new qualification certificate before the expiry of a 36-month period beginning on the date the revocation is effective.

CHAPTER IV

EXEMPTION RELATING TO THE CAPITALIZATION RATE

17. If a cooperative or federation of cooperatives does not meet the condition set out in subparagraph 5 of the first paragraph of section 3 or in paragraph 5 of section 4, it may obtain from the Minister an exemption authorizing it to issue preferred shares for a period of 12 months following the date on which the exemption was issued if it establishes to the Minister's satisfaction that it is in the process of carrying out an expansion or development project that meets the requirements of the second paragraph and if the expected amount of the proceeds of the share issue does not exceed 60% of the total value of the expansion or development project.

The requirements to which the first paragraph refers in relation to obtaining an exemption in respect of an expansion or development project are the following:

(1) upon being carried out, the expansion or development project will cause the capitalization rate of the cooperative or federation of cooperatives to be less than 60%;

(2) the expansion or development project should increase the amount of business of the cooperative or federation of cooperatives in relation to the activities related to its object; and

(3) the expansion or development project will begin on or before the end of the 12-month period following the date on which the exemption was issued by the Minister.

18. A cooperative or federation of cooperatives wishing to obtain from the Minister the exemption referred to in section 17 in respect of an expansion or development project must send the Minister a written application to that effect containing the following information and documents:

- (1) a detailed description of the project;
- (2) the date on which the project is to begin;
- (3) the expected value of the share issue in relation to the total cost of the project; and
- (4) an attestation signed by two directors confirming that it is in the process of carrying out the project in accordance with the information and documents referred to in paragraphs 1 to 3 and confirming the effect of the project on the capitalization rate and amount of business of the cooperative or federation of cooperatives.

19. Every qualification certificate issued by reason of an exemption obtained under this chapter is automatically revoked at the end of the 12-month period that follows the date on which it was issued.

CHAPTER V

INFORMATION RETURNS AND INVESTORS PROTECTION

DIVISION I

INFORMATION RETURNS

20. If a partnership acquires, in a fiscal period, a qualifying security of a farm cooperative or federation of farm cooperatives of which it is a member, the partnership must send the cooperative or federation on or before 31 January of the year that follows the year in which the fiscal period ended, a written return stating the share of each eligible member of a partnership of the income or loss of the partnership for the fiscal period, on the assumption that, if the income and loss of the partnership for the fiscal period are nil, the income of the partnership for the fiscal period is equal to \$1,000,000.

21. A qualified cooperative or qualified federation of cooperatives governed by the Canada Cooperatives Act must send the Minister, within five months after the end of its fiscal period, a copy of its annual report and financial statements.

22. A qualified cooperative or qualified federation of cooperatives must send the Minister, on or before the 90th day of the calendar year, a detailed statement of the issues, redemptions or repayments of qualifying securities it made in the preceding calendar year, or an attestation certifying that it did not issue, redeem or repay qualifying securities in the preceding calendar year.

23. The Minister must send the Minister of Revenue

- (1) a copy of every qualification certificate issued under section 11 or Chapter IV;
- (2) a copy of the notice of revocation of a qualification certificate;
- (3) a copy of the certificate referred to in subparagraph *c* of paragraph 4 of section 9;
- (4) a list of the cooperatives or federations of cooperatives whose qualification certificate has been revoked in accordance with section 13; and
- (5) any additional information that may be necessary for the purposes of the fiscal measures relating to the administration of this Act.

DIVISION II**PROTECTION OF INVESTORS**

24. The Minister makes available to the public a register of cooperatives and federations of cooperatives holding a qualification certificate issued under this Act and of those whose qualification certificate has been revoked.

25. If a qualified cooperative or qualified federation of cooperatives holding a qualification certificate offers preferred shares to an individual or partnership, it must send the individual or partnership a copy of the by-law authorizing it to issue the shares and a copy of the resolution of the board of directors determining, in particular, the amount, privileges, rights, restrictions and conditions of the redemption or repayment of the shares.

CHAPTER VI**INSPECTION AND INQUIRY**

26. The Minister or any person designated by the Minister may, for the purpose of ascertaining compliance with this Act,

- (1) require any information or document, examine the document and make a copy or photocopy of it;
- (2) require, where applicable, that information or a copy of a document be sent, in particular, by mail, by fax machine, by way of electronic filing or on a computer-generated medium; and
- (3) enter, at any reasonable time, any establishment of a cooperative or federation of cooperatives to which this Act applies.

Every copy or photocopy of a document certified by the Minister as a true copy or photocopy of the original is admissible in evidence and has the same probative force as the original.

27. The Minister or any person designated by the Minister may inquire into any matter relating to this Act.

28. When conducting an inspection or inquiry, any person designated by the Minister must, on request, provide identification and produce a certificate of authority.

No proceedings may be brought against that person for an act performed in good faith in the exercise of the functions of office.

CHAPTER VII

PENAL PROVISIONS

29. Every person who

(1) contravenes section 25,

(2) supplies the Minister, or any person designated by the Minister to exercise all or part of the powers conferred on the Minister by sections 26 and 27, with false or inaccurate information, or

(3) hinders or attempts to hinder in any way a person acting as required or permitted by this Act,

is guilty of an offence.

30. A person who, knowingly, by an act or omission, attempts to aid a person to commit an offence or who advises, encourages or incites a person to commit an offence is a party to the offence and liable to the same penalty as that provided for the person who is guilty of the offence, whether or not that person has been prosecuted or convicted.

31. A person who is guilty of an offence under section 29 is liable to a fine of not less than \$500 nor more than \$10,000 for each offence, and to a fine of not less than \$1,000 nor more than \$20,000 for each subsequent offence.

32. Penal proceedings for an offence under this chapter is prescribed one year from the date on which the prosecutor became aware of the commission of the offence. However, no proceedings may be instituted if more than five years have elapsed from the date of the commission of the offence.

CHAPTER VIII

ADMINISTRATION OF THE ACT

33. The Minister of Economic Development, Innovation and Export Trade is responsible for the administration of this Act.

CHAPTER IX

AMENDING PROVISIONS

TAXATION ACT

34. Section 726.4 of the Taxation Act (R.S.Q., chapter I-3) is amended by replacing “the amount contemplated in section 965.37” by “the amounts provided for in sections 965.37 and 965.39.4”.

35. Section 776.54.1 of the Act is amended by inserting “or section 965.39.1” after “965.35” in paragraph *c*.

36. The heading of Title VI.3 of Book VII of Part I of the Act is replaced by the following heading:

“FIRST COOPERATIVE INVESTMENT PLAN”.

37. Section 965.36 of the Act is amended by inserting “and before 1 January 2005” after “12 June 2003” in the following provisions:

- subparagraph *b* of the first paragraph;
- subparagraph *b* of the second paragraph.

38. Section 965.36.1 of the Act, amended by section 31 of chapter 8 of the statutes of 2006, is again amended by inserting “and before 1 January 2005” after “12 June 2003” in paragraph *b*.

39. The Act is amended by inserting the following after section 965.39:

“TITLE VI.3.1**“SECOND COOPERATIVE INVESTMENT PLAN****“CHAPTER I****“DEFINITIONS**

“965.39.1. In this Title,

“adjusted cost” means the cost of a qualifying security as determined under section 965.39.2;

“eligible member” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act (2006, chapter 37);

“qualified cooperative” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“qualified federation of cooperatives” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“qualifying security” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“total income” has the meaning assigned by the first paragraph of section 965.55.

“CHAPTER II

“GENERAL PROVISIONS

“**965.39.2.** The adjusted cost to an individual of a qualifying security is obtained by multiplying the cost to the individual of the security, determined without taking into account the borrowing costs or other costs related to the acquisition of the security incurred by the individual or by a partnership, by 125%.

“**965.39.3.** For the purposes of this Title, if, at any time, a trust governed by a registered retirement savings plan, of the type commonly called self-directed, acquires, as first purchaser, a qualifying security of a qualified cooperative or qualified federation of cooperatives, the following rules apply:

(a) the annuitant, within the meaning of paragraph *b* of section 905.1, under the plan at that time is deemed to be the person who acquires the qualifying security at that time as first purchaser and the trust is deemed not to be that person, provided that the annuitant at that time is an individual who is a qualified investor, within the meaning of section 9 of the Cooperative Investment Plan Act (2006, chapter 37), in respect of the qualified cooperative or qualified federation of cooperatives; and

(b) the cost to the annuitant referred to in paragraph *a* of the qualifying security is deemed to be the same as the cost to the trust.

“CHAPTER III

“DEDUCTION

“**965.39.4.** An individual, other than a trust, who is resident in Québec on 31 December of a year may deduct, in computing the individual’s taxable income for that year, an amount not exceeding the amount by which the

adjusted cost of a qualifying security acquired by the individual in the year or in any of the five preceding years exceeds any amount deducted under this section, in respect of that qualifying security, for those preceding years.

“965.39.5. For the purposes of sections 965.39.2 and 965.39.4, if a partnership acquires, in a fiscal period of the partnership, a qualifying security of a qualified cooperative or qualified federation of cooperatives, an individual who is an eligible member of the partnership at the end of the fiscal period is deemed to have acquired the qualifying security in the year in which the fiscal period ends, at a cost equal to such proportion of the cost of the qualifying security to the partnership as the share of the individual of the income or loss of the partnership for the fiscal period is of the income or loss of the partnership for the fiscal period, on the assumption that, if the income and loss of the partnership for the fiscal period are nil, the partnership’s income for the fiscal period is equal to \$1,000,000.

“965.39.6. Despite section 965.39.4, in no case may the amount of the deduction provided for in that section in respect of an individual for a year exceed 30% of the individual’s total income for the year.

“CHAPTER IV

“ADMINISTRATION

“965.39.7. An individual who elects to have this Title apply shall enclose with the fiscal return the individual is required to file for a taxation year under section 1000 the prescribed form containing the prescribed information in respect of an investment in a qualified cooperative or qualified federation of cooperatives and a copy of the information returns filed in prescribed form received by the individual from a qualified cooperative or qualified federation of cooperatives for that year in respect of the individual’s investment or deemed investment as an eligible member of a partnership at the end of a fiscal period of the partnership ending in that year.”

40. The Act is amended by inserting the following after section 1029.8.36.59.31:

“DIVISION II.6.5.5

“CREDIT RELATING TO SHAREHOLDING WORKERS COOPERATIVES

“1029.8.36.59.32. In this division,

“investment under the plan” has the meaning assigned by the first paragraph of section 1129.12.12;

“qualification certificate” means a qualification certificate issued under section 11 of the Cooperative Investment Plan Act (2006, chapter 37);

“qualified cooperative” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“specified percentage” has the meaning assigned by the first paragraph of section 1129.12.12;

“tax credit relating to Part III.2.3” of a qualified cooperative for a particular taxation year means the negative amount determined by the following formula and expressed as a positive number:

$$30\% [A - (B + C)] + D - E;$$

“transition time” has the meaning assigned by the first paragraph of section 1129.12.12.

In the formula in the definition of “tax credit relating to Part III.2.3” of a qualified cooperative for a particular taxation year, in the first paragraph,

(a) A is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the Cooperative Investment Plan Act and under the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche (chapter M-30.01) and that are outstanding at the end of the particular calendar year, exceeds an amount equal to the result obtained by applying the specified percentage for the year to the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments under the plan that the qualified cooperative holds at the end of the particular calendar year;

(b) B is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche and that are outstanding immediately before the issue to the qualified cooperative of its first qualification certificate, exceeds the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments under the plan that the qualified cooperative held immediately before the issue of its first qualification certificate;

(c) C is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the Cooperative Investment Plan Act and under the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche and that are outstanding at the transition time, up to an amount equal to 165% of the acquisition cost, determined without

taking into account the borrowing costs and other costs related to their acquisition, of the aggregate of the investments under the plan that the qualified cooperative holds at that time, exceeds an amount equal to 115% of the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments under the plan that the qualified cooperative holds at that time;

(d) D is the aggregate of all amounts each of which is an amount that the qualified cooperative is deemed to have paid to the Minister under this division on account of its tax payable under this Part for a taxation year preceding the particular taxation year;

(e) E is the aggregate of all amounts each of which is a tax that the qualified cooperative is required to pay under Part III.2.3 for a calendar year preceding the calendar year in which the particular taxation year ends; and

(f) the result of the addition of the amounts that B and C represent may not be greater than the excess amount determined under subparagraph *a*.

For the purposes of this division, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

“1029.8.36.59.33. A qualified cooperative that is a shareholding workers cooperative, within the meaning of the first paragraph of section 2 of the Cooperative Investment Plan Act (2006, chapter 37), and that holds a qualification certificate is deemed, subject to the second paragraph, to have paid to the Minister, for a taxation year, on the qualified cooperative’s balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to its tax credit relating to Part III.2.3 for the year.

For the purpose of computing the payments that a cooperative 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 where they refer to that subparagraph *a*, the cooperative is deemed to have paid to the Minister, on account of the aggregate of the cooperative’s tax payable for the year under this Part and of the cooperative’s tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, an amount equal to the lesser of

(a) the amount by which the amount determined under the first paragraph for the year exceeds the aggregate of all amounts each of which is the portion of the amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the

first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

“1029.8.36.59.34. For the purposes of this Part and the regulations, the amount that a qualified cooperative is deemed to have paid to the Minister for a taxation year under section 1029.8.36.59.33 is deemed not to be an amount of assistance or an inducement received by the cooperative from a government.”

41. Section 1049.0.3 of the Act is amended by replacing paragraphs *b* and *c* of the definition of “culpable conduct” in the first paragraph by the following paragraphs:

“(b) shows an indifference as to whether this Act or the Cooperative Investment Plan Act (2006, chapter 37) is complied with; or

“(c) shows a wilful, reckless or wanton disregard of this Act or of the Cooperative Investment Plan Act;”.

42. Section 1049.0.5 of the Act is amended by replacing the portion before paragraph *b* by the following:

“1049.0.5. Every person who makes a statement to another person, in this section and sections 1049.0.6, 1049.0.8 and 1049.0.10 referred to as the “other person”, or assents to, acquiesces in or participates in the making of a statement by or on behalf of the other person, that the person knows, or would reasonably be expected to know but for circumstances amounting to culpable conduct, is a false statement that could be used by or on behalf of the other person for a purpose of this Act, except sections 965.39.1 to 965.39.7, incurs a penalty in respect of the false statement equal to the greater of \$1,000 and the lesser of

(a) the penalty that the other person would incur under section 1049 if the other person had made the statement in a return filed for the purposes of this Act, except sections 965.39.1 to 965.39.7, and had known that the statement was false; and”.

43. The Act is amended by inserting the following section after section 1049.0.5:

“1049.0.5.1. Every person who makes a statement to another person, in this section and sections 1049.0.6, 1049.0.8 and 1049.0.10 referred to as the “other person”, or assents to, acquiesces in or participates in the making of a statement by or on behalf of the other person, that the person knows, or would reasonably be expected to know but for circumstances amounting to culpable conduct, is a false statement that could be used by or on behalf of the other person for a purpose of the Cooperative Investment Plan Act (2006, chapter 37) or of sections 965.39.1 to 965.39.7 incurs a penalty in respect of the false statement equal to,

(a) if the statement is made in the course of planning, selling or promoting an arrangement in relation to the application of the Cooperative Investment Plan Act, the greater of \$1,000 and the person's gross compensation, at the time at which the notice of assessment of the penalty is sent to the person, in respect of the false statement that could be used by or on behalf of the other person; and

(b) in any other case, \$1,000."

44. Section 1049.0.6 of the Act is amended by replacing "of section 1049.0.5" by "of sections 1049.0.5 and 1049.0.5.1".

45. Section 1049.0.8 of the Act is amended by replacing "in section 1049.0.5" and "under section 1049.0.5" by "in section 1049.0.5 or 1049.0.5.1" and "under section 1049.0.5 or 1049.0.5.1", respectively.

46. Section 1049.0.9 of the Act is amended by replacing "under section 1049.0.5" by "under section 1049.0.5 or 1049.0.5.1".

47. Section 1049.0.10 of the Act is amended by replacing "section 1049.0.5 does not apply" in paragraph *a* by "sections 1049.0.5 and 1049.0.5.1 do not apply".

48. Section 1049.0.11 of the Act is amended by replacing "section 1049.0.5" in the portion before paragraph *a* by "section 1049.0.5 or 1049.0.5.1".

49. The Act is amended by inserting the following section after section 1049.12:

"1049.12.1. Every qualified cooperative or qualified federation of cooperatives, within the meaning of section 965.39.1, whose equity, within the meaning of section 2 of the Cooperative Investment Plan Act (2006, chapter 37), before the redemption or repayment of the issued shares, is reduced to less than 80% of its equity on 23 April 1985 by reason of a reduction of its capital stock otherwise than by reason of a repayment of common shares belonging to a member who is deceased, disabled or under tutorship or curatorship, incurs a penalty equal to 30% of the part of the reduction that reduces the equity to less than 80% of the equity on 23 April 1985."

50. The Act is amended by inserting the following section after section 1049.13:

"1049.13.1. Every qualified cooperative or qualified federation of cooperatives, within the meaning of section 965.39.1, that issues shares without holding a valid qualification certificate as prescribed in sections 6 and 11 of the Cooperative Investment Plan Act (2006, chapter 37) or while its certificate is revoked and that asserts that such shares are qualifying securities under that

Act incurs a penalty equal to 50% of the amount of the shares issued while it did not hold a valid qualification certificate or after the date of revocation of the certificate.”

51. The Act is amended by inserting the following sections after section 1049.14:

“1049.14.0.1. Every qualified cooperative or qualified federation of cooperatives, within the meaning of section 965.39.1, that redeems or repays a qualifying security, within the meaning of that section, without complying with the period specified in paragraph 4 of section 6 of the Cooperative Investment Plan Act (2006, chapter 37) incurs a penalty equal to 30% of the amount of the qualifying securities so redeemed or repaid, unless the redemption or repayment is an allowable redemption or repayment that complies with the rules set out in sections 2 and 7 of that Act.

If the redemption or repayment referred to in the first paragraph occurs as part of the winding-up or dissolution of a cooperative or federation of cooperatives, the penalty specified in the first paragraph is replaced by a penalty equal to 30% of the amount obtained by applying, to the amount of the qualifying securities so redeemed or repaid, the percentage obtained by dividing by 1,826 the amount by which 1,826 exceeds the number of days included in the period that begins on the day of issue of the qualifying securities and ends on the day on which they are redeemed or repaid.

“1049.14.0.2. Every qualified cooperative or qualified federation of cooperatives, within the meaning of section 965.39.1, that, in respect of a fiscal period ended in a particular calendar year in which it issued qualifying securities, within the meaning of that section, or in the 12-month period that precedes the particular year, pays, otherwise than in the form of common shares, a patronage dividend greater than 33 1/3% of its operating surplus or surplus earnings, incurs a penalty equal to the lesser of

(a) 30% of the proceeds of the issue of qualifying securities for the particular year; and

(b) the aggregate of

i. 30% of the portion of the patronage dividend, otherwise than in the form of shares, that exceeds 33 1/3% of the operating surplus or surplus earnings, such portion being in this subparagraph *b* referred to as the “excess patronage dividend”, paid in respect of a fiscal period that ended in the particular year,

ii. in the case where no qualifying securities were issued in the 12-month period that precedes the particular year, 30% of the excess patronage dividend paid in respect of a fiscal period that ended in the 12-month period that precedes the particular year, and

iii. in any other case, the amount by which 30% of the excess patronage dividend paid in respect of a fiscal period that ended in the 24-month period that precedes the particular year exceeds the aggregate of the penalties relating to the payment of a patronage dividend incurred under this section in respect of the issue of qualifying securities in the 24-month period that precedes the particular year, up to 30% of the excess patronage dividend paid in respect of a fiscal period that ended in the 12-month period that precedes the particular year.”

52. The Act is amended by inserting the following after section 1129.12.7:

“PART III.2.2

“SPECIAL TAX RELATING TO THE SECOND COOPERATIVE INVESTMENT PLAN

“1129.12.8. In this Part,

“fiscal period” has the meaning assigned by Part I;

“Minister” means the Minister of Revenue;

“qualification certificate” means a qualification certificate issued under section 11 of the Cooperative Investment Plan Act (2006, chapter 37);

“qualified cooperative” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“qualified federation of cooperatives” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“qualifying security” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act.

“1129.12.9. If a qualified cooperative or qualified federation of cooperatives that holds a qualification certificate has issued qualifying securities in a year, it shall pay tax for that year equal to 30% of the proceeds from the issue of those securities if, at the end of the fiscal period that ended in the calendar year that precedes that year, it does not meet the conditions set out in any of subparagraphs 1 to 5 of the first paragraph of section 3 of the Cooperative Investment Plan Act (2006, chapter 37), subparagraph 1 or 2 of the second paragraph of that section 3 or any of subparagraphs 1 to 5 of section 4 of that Act, as the case may be.

“1129.12.10. If a qualified cooperative or qualified federation of cooperatives is required to pay tax for a calendar year under this Part, it shall, on or before 31 March of the calendar year that follows the calendar year in which the tax is payable,

(a) file with the Minister, without notice or demand, a statement under this Part in prescribed form containing the prescribed information;

(b) estimate, in the statement, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

“1129.12.11. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

“PART III.2.3

“SPECIAL TAX TO ENSURE THE INTEGRITY OF THE SECOND COOPERATIVE INVESTMENT PLAN

“1129.12.12. In this Part,

“investment under the plan” means any investment held by a qualified cooperative in the form of a share of the capital stock of the corporation that employs its members, or of a debenture issued by the corporation, provided that the debenture was held continuously by the cooperative throughout a 120-day period including the determination time of investments in the corporation;

“determination time of investments” in a corporation means

(a) in the case of subparagraph *a* of the second paragraph of section 1129.12.14, the end of the particular calendar year referred to in the first paragraph of that section;

(b) in the case of subparagraph *b* of the second paragraph of section 1129.12.14, the time immediately preceding the time at which the qualified cooperative is issued its first qualification certificate; and

(c) in the case of subparagraph *c* of the second paragraph of section 1129.12.14, the transition time applicable to the qualified cooperative;

“Minister” means the Minister of Revenue;

“qualification certificate” means a qualification certificate issued under section 11 of the Cooperative Investment Plan Act (2006, chapter 37);

“qualified cooperative” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“qualifying security” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“specified percentage” means,

(a) if the cooperative was established before 24 March 2006 and the particular calendar year referred to in section 1129.12.13 precedes the year 2012 and is not a year in which the cooperative made an investment under the plan, other than such an investment made before that date, a percentage of 165%; and

(b) in any other case, a percentage of 115%;

“taxation year” has the meaning assigned by Part I;

“transition time” applicable to a qualified cooperative means the time that immediately precedes 1 January 2012 or, if it is earlier, the time that immediately precedes the acquisition, after 23 March 2006, of an investment under the plan by the qualified cooperative.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

“1129.12.13. If, in a particular calendar year, a qualified cooperative that is a shareholding workers cooperative, within the meaning of the first paragraph of section 2 of the Cooperative Investment Plan Act (2006, chapter 37), and that holds a qualification certificate has issued qualifying securities, redeemed securities issued under that Act or under the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche (chapter M-30.01), acquired an investment under the plan, or disposed of such an investment, the qualified cooperative shall pay tax for that year equal to the regulation amount determined under section 1129.12.14.

“1129.12.14. The regulation amount to which section 1129.12.13 refers in respect of a qualified cooperative for a particular calendar year is equal to the amount determined by the formula

$$30\% [A - (B + C)] + D - E.$$

In the formula in the first paragraph,

(a) A is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the Cooperative Investment Plan Act (2006, chapter 37) and under the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche (chapter M-30.01) and that are outstanding at the end of the particular calendar year, exceeds an

amount equal to the result obtained by applying the specified percentage for the year to the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments under the plan that the qualified cooperative holds at the determination time of investments;

(b) B is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche and that are outstanding immediately before the issue to the qualified cooperative of its first qualification certificate, exceeds the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments under the plan that the qualified cooperative held at the determination time of investments;

(c) C is the amount by which the aggregate of the amounts paid in respect of the securities that are issued by the qualified cooperative under the Cooperative Investment Plan Act and under the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche and that are outstanding at the transition time applicable to the qualified cooperative, up to an amount equal to 165% of the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments concerned that the cooperative holds at the determination time of investments, exceeds an amount equal to 115% of the acquisition cost, determined without taking into account the borrowing costs and the other costs related to their acquisition, of the aggregate of the investments concerned that the cooperative holds at the determination time of investments;

(d) D is the aggregate of all amounts each of which is an amount that the qualified cooperative is deemed to have paid to the Minister under Division II.6.5.5 of Chapter III.1 of Title III of Book IX of Part I, on account of its tax payable under this Part for a taxation year preceding its taxation year in which the particular calendar year ends;

(e) E is the aggregate of all amounts each of which is a tax that the qualified cooperative is required to pay under this Part for a calendar year preceding the particular calendar year; and

(f) the result of the addition of the amounts that B and C represent may not be greater than the excess amount determined under subparagraph *a*.

“1129.12.15. If a qualified cooperative is required to pay tax for a calendar year under this Part, it shall, on or before 31 March of the calendar year that follows the calendar year in which the tax is payable,

(a) file with the Minister, without notice or demand, a statement under this Part in prescribed form containing the prescribed information;

(b) estimate, in the statement, the amount of its tax payable under this Part for the year; and

(c) pay to the Minister the amount of its tax payable under this Part for the year.

“1129.12.16. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1001, 1002 and 1037 and Titles II, V and VI of Book IX of Part I apply to this Part, with the necessary modifications.

“PART III.2.4

“SPECIAL TAX RELATING TO AN ALLOWABLE REDEMPTION OR REPAYMENT UNDER THE SECOND COOPERATIVE INVESTMENT PLAN

“1129.12.17. In this Part,

“allowable redemption or repayment” means an allowable redemption or repayment within the meaning of section 2 of the Cooperative Investment Plan Act (2006, chapter 37);

“eligible member” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“Minister” means the Minister of Revenue;

“qualification certificate” means a qualification certificate issued under section 11 of the Cooperative Investment Plan Act;

“qualified cooperative” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“qualified federation of cooperatives” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“qualifying security” has the meaning assigned by the first paragraph of section 2 of the Cooperative Investment Plan Act;

“taxation year” has the meaning assigned by Part I.

For the purposes of this Part, a reference to a calendar year ending in a taxation year includes a reference to a calendar year ending coincidentally with that taxation year.

“1129.12.18. If a qualifying security is the subject of an allowable redemption or repayment by a qualified cooperative or qualified federation of cooperatives, otherwise than under the circumstances to which

section 1129.12.19 applies, the individual referred to in section 965.39.4, the person to whom, where applicable, the security devolved as a consequence of the individual's death, or a trust holding the security and that is governed by a registered retirement savings plan or by a registered retirement income fund the annuitant of which is the individual, is required to pay, for the taxation year in which the redemption or repayment is made, a tax equal to the amount determined by the formula

$$[(1,826 - A) / 1,826] \times B.$$

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed or repaid; and

(b) B is the lesser of

i. 25% of the acquisition cost of the qualifying security, determined without taking into account the borrowing costs and the other costs related to their acquisition, for the individual or the trust governed by a registered retirement savings plan of which the individual was the annuitant on acquiring the security, and

ii. the amount paid by the qualified cooperative or qualified federation of cooperatives for the redemption or repayment of the security.

“1129.12.19. If a qualifying security held by a partnership is the subject of an allowable redemption or repayment by a qualified cooperative or qualified federation of cooperatives, an individual who is a member of the partnership at the end of the partnership's fiscal period in which the redemption or repayment is made, is required to pay, for the taxation year in which the fiscal period ends, a tax equal to the amount determined by the formula

$$[(1,826 - A) / 1,826] \times B \times C.$$

In the formula in the first paragraph,

(a) A is the number of days in the period that begins on the issue date of the qualifying security referred to in the first paragraph and that ends on the day on which the qualifying security is redeemed or repaid;

(b) B is the lesser of

i. 25% of the acquisition cost of the qualifying security to the partnership, and

ii. the amount paid by the qualified cooperative or qualified federation of cooperatives for the redemption or repayment of the security; and

(c) C is the proportion of the cost of the qualifying security to the partnership that the share of the individual of the income or loss of the partnership for the fiscal period referred to in the first paragraph is of the income or loss of the partnership for the fiscal period, on the assumption that, if the income and loss of the partnership for the fiscal period are nil, the income of the partnership for the fiscal period is equal to \$1,000,000.

For the purposes of this section, the acquisition cost of the qualifying security to the partnership is the aggregate of the costs determined in respect of the partnership's eligible members in accordance with section 965.39.5, without taking into account the borrowing costs and the other costs related to its acquisition.

“1129.12.20. If a qualified cooperative or qualified federation of cooperatives redeems or repays a qualifying security in respect of which tax is payable under section 1129.12.18 or 1129.12.19, the following rules apply:

(a) the qualified cooperative or qualified federation of cooperatives is required to withhold the amount of tax, on behalf of the person who is liable to pay the tax, from the amount it pays or credits to that person because of the redemption or repayment of the security; and

(b) the qualified cooperative or qualified federation of cooperatives is required to pay to the Minister the amount so withheld on behalf of that person within 30 days following the day on which the security is redeemed or repaid.

“1129.12.21. Every qualified cooperative or qualified federation of cooperatives is required to pay, on behalf of the person who is liable to pay the tax referred to in section 1129.12.18 or 1129.12.19, any amount that the cooperative or federation of cooperatives did not withhold under section 1129.12.20, and it is authorized to recover the amount so paid from that person.

“1129.12.22. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1014 and 1037 to 1079.16 apply to this Part, with the necessary modifications.”

CHAPTER X

MISCELLANEOUS PROVISIONS

53. A cooperative, other than a work cooperative or a shareholding workers cooperative, or a federation of cooperatives that, on 12 June 2003, holds a qualification certificate that is still in force on that date and authorizes its holder to issue securities under the rules set out in the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche, may, until the day on which the qualification certificate is revoked in accordance with that plan but before

1 April 2004, proceed with the issue of those securities in accordance with those rules, provided that their issue is necessary to fulfill an agreement entered into in writing on or before 12 June 2003 with an eligible worker within the scope of a workers investment program referred to in Division 4.1 of the rules of that plan.

54. Subject to the second and third paragraphs, a qualification certificate issued to a cooperative under the rules set out in the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche is revoked on 31 March 2004.

A work cooperative or a shareholding workers cooperative that, on 30 March 2004, holds a qualification certificate authorizing its holder to issue securities under the rules set out in the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche may proceed with the issue of those securities in accordance with those rules, until the earliest of

(1) the day on which the qualification certificate is revoked in accordance with the plan;

(2) the day on which it obtains a qualification certificate issued under section 11; and

(3) 31 December 2004.

A cooperative, other than a work cooperative or a shareholding workers cooperative, or a federation of cooperatives that, on 12 June 2003, holds a qualification certificate that is still in force on 30 March 2004 and authorizes its holder to issue securities under the rules set out in the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche, may, until the earliest of the days described in subparagraphs 1 to 3 of the second paragraph, proceed with the issue of those securities in accordance with those rules, provided that their issue is necessary to fulfill an agreement entered into in writing on or before 12 June 2003 with an eligible worker within the scope of a workers investment program referred to in Division 4.1 of the rules of that plan.

55. No security may be issued after 31 December 2004 under the rules set out in the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche and every unrevoked qualification certificate issued under that plan is deemed to be revoked after that date.

56. Every security issued under the rules set out in the Cooperative Investment Plan adopted under the Act respecting the Ministère du Développement économique et régional et de la Recherche remains subject to Division 4 of the rules of that plan and to the provisions of the Taxation Act with respect to the redemption of that security.

However, for the purposes of Division 4 of the rules of that plan, the reserve includes, where applicable, the enhancement reserve as defined under sections 149.1 to 149.6 of the Cooperatives Act.

57. Section 1, section 2, except for the definition of “allowable redemption or repayment” and the third paragraph of that section, sections 3 to 6, 8 to 25, 33 to 39, 41 to 51, section 52, when it enacts Part III.2.2 of the Taxation Act, and sections 54 to 56 have effect from 31 March 2004. However,

(1) when this Act applies before 22 December 2004,

(a) section 3 is to be read without reference to subparagraph 7 of the first paragraph, and

(b) section 4 is to be read without reference to its paragraph 7;

(2) when this Act applies before 17 November 2005,

(a) the definition of “equity” in the first paragraph of section 2 reads as if “Chapter II of the Regulation under the Cooperatives Act made by Order in Council 953-2005 (2005, G.O. 2, 4736)” was replaced by “Chapter IV of the Regulation under the Cooperatives Act made by Order in Council 2560-83 (1983, G.O. 2, 3961)”, and

(b) section 12 is to be read without reference to its paragraph 6;

(3) when this Act applies before 24 March 2006, section 3 is to be read without reference to its third paragraph; and

(4) when section 1049.14.0.1 of the Taxation Act, enacted by section 51, applies in respect of a qualifying security issued before 24 March 2006, it reads as follows:

“1049.14.0.1. Every qualified cooperative or qualified federation of cooperatives, within the meaning of section 965.39.1, that redeems or repays a qualifying security, within the meaning of that section, without complying with the period specified in paragraph 4 of section 6 of the Cooperative Investment Plan Act (2006, chapter 37) incurs a penalty equal to 30% of the amount of the qualifying securities so redeemed or repaid.”

58. Section 40 and section 52, when it enacts Part III.2.3 of the Taxation Act, apply from the calendar year 2004. However, when section 1129.12.15 of the Taxation Act, enacted by section 52, applies to the calendar year 2005, it reads as if “31 March” in the portion before paragraph *a* was replaced by “30 June”.

59. Section 2, when it enacts the definition of “allowable redemption or repayment” and the third paragraph of that section, section 7 and section 52, when it enacts Part III.2.4 of the Taxation Act, apply in respect of a qualifying security issued after 23 March 2006.

60. Section 53 has effect from 13 June 2003.

61. This Act comes into force on 6 December 2006.