



NATIONAL ASSEMBLY

FIRST SESSION

THIRTY-EIGHTH LEGISLATURE

Bill 2

(2007, chapter 12)

**An Act giving effect to the Budget
Speech delivered on 23 March 2006
and to certain other budget statements**

**Introduced 21 June 2007
Passed in principle 17 October 2007
Passed 6 November 2007
Assented to 7 November 2007**

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EXPLANATORY NOTES

This bill amends various legislation to give effect to budgetary measures announced in the Budget Speech delivered on 23 March 2006 and in Information Bulletins published by the Ministère des Finances in 2004, 2005 and 2006. It also gives effect to certain measures announced in the Budget Speech delivered on 21 April 2005.

The bill amends the Mining Duties Act to set a new eligibility period for the acquisition of assets for which the additional depreciation allowance may be claimed.

The bill amends the Taxation Act to introduce, amend or abolish a number of fiscal measures specific to Québec. More specifically, the amendments deal with

(1) the refundable tax credit for home support services for seniors;

(2) the deduction concerning the residence of a member of the clergy or of a religious order;

(3) the coming into force of the Individual and Family Assistance Act (2005, chapter 15), which replaces the Act respecting income support, employment assistance and social solidarity (R.S.Q., chapter S-32.001);

(4) the refundable tax credits for scientific research and experimental development;

(5) the introduction of a refundable tax credit for private partnership pre-competitive research;

(6) the raising of the asset thresholds for corporations entitled to the refundable tax credit for scientific research and experimental development and the refundable design tax credit at the enhanced rate;

(7) the application of the refundable tax credit for the production of sound recordings in respect of clips and digital audiovisual recordings;

(8) the raising of the limit for the refundable tax credit for the production of performances;

(9) *fiscal measures relating to the development of the new economy;*

(10) *the introduction of a non-refundable tax credit for the hiring of financial derivatives specialists;*

(11) *the introduction of a refundable tax credit for the acquisition of pig manure treatment facilities;*

(12) *the fiscal treatment of assistance, benefits and advantages for the purposes of tax credits for businesses and the corresponding special taxes; and*

(13) *the public utility tax.*

The bill also amends the Taxation Act to make amendments similar to those made to the Canada Income Tax Act by Bill C-13 (Statutes of Canada, 2006, chapter 4), assented to on 22 June 2006, and by Bill C-28 (Statutes of Canada, 2007, chapter 2), assented to on 21 February 2007. The bill thus gives effect to harmonization measures announced in the Budget Speech delivered on 23 March 2006 and in Information Bulletins published in 2005 and 2006. More specifically, the amendments deal with

(1) *the introduction of a deduction for tradespeople's tool expenses;*

(2) *the rules applicable to fishers' capital gains;*

(3) *the non-deductibility of interest charged under a fiscal law; and*

(4) *the penalty for filing a return late when the filing deadline was extended.*

In addition, the bill amends the Act respecting the Ministère du Revenu and the Act respecting the Québec sales tax to make amendments similar to those made to the Excise Tax Act by Bill C-33 (Statutes of Canada, 2005, chapter 19), assented to on 13 May 2005, by Bill C-43 (Statutes of Canada, 2005, chapter 30), assented to on 29 June 2005, and by Bill C-13 (Statutes of Canada, 2006, chapter 4), assented to on 22 June 2006. The bill thus gives effect to harmonization measures announced in the Budget Speeches delivered on 30 March 2004 and 21 April 2005 and in Information Bulletins published in 2005 and 2006. More specifically, the amendments deal with

(1) *a clarification of the general anti-avoidance rule;*

(2) *the accountability of the directors of a legal person for its failure to remit an amount it obtained as a net tax refund but was not entitled to; and*

(3) *the lowering of the GST rate to 6%.*

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

LEGISLATION AMENDED BY THIS BILL:

- Act respecting parental insurance (R.S.Q., chapter A-29.011);
- Act respecting international financial centres (R.S.Q., chapter C-8.3);
- Mining Duties Act (R.S.Q., chapter D-15);
- Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1);
- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the Ministère du Revenu (R.S.Q., chapter M-31);
- Youth Protection Act (R.S.Q., chapter P-34.1);
- 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 property tax refund (R.S.Q., chapter R-20.1);
- Act respecting the Québec sales tax (R.S.Q., chapter T-0.1);
- Act giving effect to the Budget Speech delivered on 12 June 2003 and to certain other budget statements (2004, chapter 21);
- Act giving effect to the Budget Speech delivered on 30 March 2004 to introduce family support measures and giving effect to certain other budget statements (2005, chapter 1);

– Budget Act giving effect to the Budget Speech delivered on 21 April 2005 and to certain other budget statements (2005, chapter 38).

Bill 2

AN ACT GIVING EFFECT TO THE BUDGET SPEECH DELIVERED ON 23 MARCH 2006 AND TO CERTAIN OTHER BUDGET STATEMENTS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

ACT RESPECTING PARENTAL INSURANCE

1. (1) Section 43 of the Act respecting parental insurance (R.S.Q., chapter A-29.011) is amended by striking out “except for paragraph *v* of section 87 and section 154.1 of that Act,” in the definition of “business income” in the first paragraph.

(2) Subsection 1 has effect from 1 January 2006.

2. (1) Section 55 of the Act is amended by replacing “any of paragraphs *a* to *c*” by “any of subparagraphs *a* to *c* and *f* of the first paragraph”.

(2) Subsection 1 has effect from 1 January 2006.

ACT RESPECTING INTERNATIONAL FINANCIAL CENTRES

3. (1) Section 4 of the Act respecting international financial centres (R.S.Q., chapter C-8.3) is amended by striking out paragraph 1 of the definition of “qualified security”.

(2) Subsection 1 has effect from 16 March 2005.

4. (1) Section 7 of the Act is again amended

(1) by replacing “were read without reference in paragraphs 1 and 2” in paragraph 3 by “were read without reference in paragraph 2”;

(2) by replacing paragraph 22 by the following paragraph:

“(22) carrying on back office activities, other than those that arise from back office activities referred to in this paragraph, for or on behalf of

(*a*) a corporation or partnership that operates an international financial centre, in relation to a qualified international financial transaction carried out by the corporation or partnership, except back office activities referred to in subparagraph *b* or *c*,

(b) a financial corporation or another corporation or partnership, in relation to a financial transaction carried out by a financial corporation and to which not more than one party is or includes a person resident in Canada,

(c) a financial corporation or another person or partnership, in relation to an insurance contract arising from the carrying on of a business of the insured and under which the premium is attributable exclusively or almost exclusively,

i. in the case of a damage insurance contract, to the occurrence of a risk outside Canada, and

ii. in the case of a contract of insurance of persons, to the coverage of a person not resident in Canada or of a person resident in Canada who is an expatriate because of employment outside Canada, or

(d) a person or partnership that is neither a corporation or partnership that operates an international financial centre nor a financial corporation, in relation to a qualified international financial transaction carried out by or on behalf of that person or partnership;”.

(2) Paragraph 1 of subsection 1 has effect from 16 March 2005.

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

5. (1) Section 7.1 of the Act is amended by replacing “in paragraph 25” in the second paragraph by “in paragraph 22 or 25”.

(2) Subsection 1 has effect from 31 March 2004.

6. (1) Section 8 of the Act is amended by replacing “in paragraphs 1 and 2” in subparagraph *b* of paragraph 1 and subparagraph *a* of paragraph 2 by “in paragraph 2”.

(2) Subsection 1 has effect from 16 March 2005.

MINING DUTIES ACT

7. (1) Section 26.0.1 of the Mining Duties Act (R.S.Q., chapter D-15) is amended

(1) by replacing “shall not exceed the lesser of” in the portion of the first paragraph before subparagraph 1 by “must not exceed the least of”;

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

“(1) the aggregate of

(a) the aggregate of all amounts each of which is 15% of the capital cost to the operator of each property, described in the second paragraph, in relation to that processing plant, and

(b) the lesser of

i. the aggregate of all amounts each of which is 15% of the capital cost to the operator of each property, described in the third paragraph, in relation to that processing plant, and

ii. zero, if the aggregate of all amounts each of which is the capital cost to the operator of each property, described in the third paragraph, in relation to that processing plant, is less than \$150,000,000;”;

(3) by replacing subparagraphs 3 and 4 of the first paragraph by the following subparagraphs:

“(3) the amount by which the aggregate of all amounts each of which is an amount allowed, in relation to that processing plant, under subparagraph *h.1* of paragraph 2 of section 8 in computing the annual profit of the operator for a preceding fiscal year is exceeded by the aggregate of

(a) the lesser of

i. the aggregate of all amounts each of which is the capital cost to the operator of each property, described in the second paragraph, in relation to that processing plant, and

ii. \$350,000,000, and

(b) the lesser of

i. the aggregate of all amounts each of which is the capital cost to the operator of each property, described in the third paragraph, in relation to that processing plant, and

ii. the lesser of

(1) \$200,000,000, and

(2) zero, if the aggregate of all amounts each of which is the capital cost to the operator of each property, described in the third paragraph, in relation to that processing plant, is less than \$150,000,000;

“(4) an amount that is the annual profit of the operator for the fiscal year, determined before deductions as an additional depreciation allowance and additional allowance for a northern mine referred to in subparagraphs *h.1* and *j* of paragraph 2 of section 8; and”;

(4) by replacing “réfère le premier alinéa” in the portion of the second paragraph before subparagraph 1 in the French text by “le premier alinéa fait référence”;

(5) by striking out subparagraph 3 of the second paragraph;

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

“Property to which the first paragraph refers is property of the third class, within the meaning assigned by section 9, that

(1) was acquired new by the operator after 31 December 2003 and before 1 January 2008, otherwise than as property to replace another property;

(2) was used for the first time by the operator after 31 December 2003 and before 1 January 2008; and

(3) was, during a minimum period of 730 days beginning on the day of its first use, or during a shorter period in the case of the loss or involuntary destruction of the property by fire, theft or water or of a major breakdown of the property, held and regularly used in mining operation by the operator, in relation to the part of that period during which the operator owned the property, or by another person who acquired the property

(a) in the course of a reorganization in respect of which, if a dividend were received by a partnership in the course of the reorganization, section 308.1 of the Taxation Act (chapter I-3) would not apply to the dividend because of the application of section 308.3 of that Act, or

(b) from a person with whom the other person was not dealing at arm’s length, within the meaning of the Taxation Act, otherwise than because of a right referred to in paragraph *b* of section 20 of that Act, at the time the property was acquired.”

(2) Paragraphs 2, 3, when it enacts subparagraph 3 of the first paragraph of section 26.0.1 of the Act, and 6 of subsection 1 apply to a fiscal year that ends after 31 December 2003.

(3) Paragraph 3 of subsection 1, when it enacts subparagraph 4 of the first paragraph of section 26.0.1 of the Act, applies to a fiscal year that ends after 9 September 2004.

(4) Paragraph 5 of subsection 1 applies to a fiscal year that ends after 25 March 1997.

8. (1) Section 26.0.3 of the Act is replaced by the following section:

“**26.0.3.** If in a fiscal year an operator is associated, within the meaning of Chapter IX of Title II of Book I of Part I of the Taxation Act (chapter I-3), with one or more other operators, each of the amounts referred to in

subparagraph 2 of the first paragraph of section 26.0.1, in subparagraph ii of subparagraph *a* of subparagraph 3 of that paragraph and in subparagraph 1 of subparagraph ii of subparagraph *b* of that subparagraph 3 must be allocated among the operators in the proportion established pursuant to an agreement a copy of which is to be sent to the Minister within six months after the end of their fiscal year and the amount allocated or the aggregate of the amounts allocated must be equal to

(1) \$50,000,000, or the lesser amount determined, where applicable, in accordance with section 26.0.2, for the amount referred to in that subparagraph 2;

(2) \$350,000,000 for the amount referred to in subparagraph ii of subparagraph *a* of that subparagraph 3; and

(3) \$200,000,000 for the amount referred to in subparagraph 1 of subparagraph ii of subparagraph *b* of that subparagraph 3.

In the absence of an agreement, or if the proportion is not established in a reasonable manner, the Minister shall allocate the amounts as is reasonable in the circumstances.”

(2) Subsection 1 applies to a fiscal year that ends after 31 December 2003.

9. (1) Section 35.4 of the Act is amended by inserting the following subparagraph after subparagraph *c* of paragraph 6:

“(c.1) the property is deemed to have been held by the purchaser and regularly used by the purchaser in a mining operation during any period throughout which the property was held and so used by the former owner; and”.

(2) Subsection 1 applies to a fiscal year that ends after 31 December 2003.

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

10. Section 4 of the Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (R.S.Q., chapter F-3.2.1) is amended by replacing “undertakings” in subparagraph 3 of the first paragraph by “enterprises”.

11. Section 13 of the Act is amended

(1) by replacing “qualified undertakings” in paragraphs 1 and 4 by “eligible enterprises”;

(2) by replacing “undertakings” in paragraph 3 by “enterprises”.

12. Section 14 of the Act is amended by replacing “undertaking” wherever it appears by “enterprise”.

13. Section 14.1 of the Act is amended

(1) by replacing “qualified undertaking” and “an undertaking” in the first paragraph by “eligible enterprise” and “an enterprise”, respectively;

(2) by replacing “undertaking” wherever it appears in the second paragraph by “enterprise”.

14. Section 15 of the Act is amended

(1) by replacing “qualified investments” by “eligible investments” in the following provisions:

— the second paragraph;

— the portion of subparagraph 3 of the third paragraph before the formula;

— subparagraphs 1, 2 and 3 of the fourth paragraph;

— the portion of the fifth paragraph before subparagraph 1;

— subparagraph 6 of the fifth paragraph;

— subparagraph 8 of the fifth paragraph;

(2) by replacing “qualified undertakings” in subparagraphs 1 and 2 of the fifth paragraph by “eligible enterprises”;

(3) by replacing “an undertaking” wherever it appears in subparagraphs 4 and 5 of the fifth paragraph by “an enterprise”;

(4) by replacing “a qualified undertaking” wherever it appears in subparagraph 4 of the fifth paragraph by “an eligible enterprise”;

(5) by replacing “undertakings” in subparagraph 8 of the fifth paragraph by “enterprises”;

(6) by replacing “a qualified investment” in the tenth paragraph by “an eligible investment”.

15. Section 15.0.1 of the Act is amended

(1) by replacing “undertaking” in subparagraphs 1, 2 and 3 of the first paragraph by “enterprise”;

(2) by replacing “qualified investments” in the second paragraph by “eligible investments”.

16. Section 15.1 of the Act is replaced by the following section:

“15.1. If the Fund fails to comply, in a fiscal year, with the requirement set out in the second paragraph of section 15, it shall not issue class “A” shares or fractional shares in the following fiscal year for a total consideration exceeding the amount determined as follows:

(1) 75% of the total consideration paid for class “A” shares and fractional shares issued in the preceding fiscal year, excluding the total consideration paid for class “A” shares or fractional shares acquired and paid by payroll deduction in accordance with the provisions of Division IV or acquired under a subscription agreement entered into with an employer in favour of the employer’s employees, if the portion of the average investments concerned that are eligible investments is equal to 50 to 59% of the average net assets of the Fund for the preceding year;

(2) 50% of such consideration, if the portion of such average investments is equal to 40 to 49% of the average net assets; and

(3) 25% of such consideration, if the portion of such average investments is equal to 30 to 39% of the average net assets.

If the portion of such average investments is equal to a percentage that is less than 30% of the average net assets, the Fund shall not issue any class “A” share or fractional share in that fiscal year.

Class “A” shares and fractional shares acquired and paid by payroll deduction in accordance with the provisions of Division IV or acquired under a subscription agreement entered into with an employer in favour of the employer’s employees are excluded from the application of this section.”

17. Section 16 of the Act is amended

(1) by replacing “undertaking” wherever it appears in the first, third and fifth paragraphs by “enterprise”;

(2) by replacing “an undertaking”, “a qualified undertaking” and “the undertaking” in the second paragraph by “an enterprise”, “an eligible enterprise” and “the enterprise”, respectively.

18. Section 20 of the Act is replaced by the following section:

“20. The Fund may not invest in an enterprise in which a director referred to in any of subparagraphs 1, 2 and 4 of the first paragraph of section 4 or a senior executive other than a director has a major or controlling interest.”

19. Section 21 of the Act is amended by replacing “undertaking” wherever it appears in the second and third paragraphs by “enterprise”.

TAXATION ACT

20. Section 1 of the Taxation Act (R.S.Q., chapter I-3) is amended

(1) by replacing “21.9.5” in the definition of “term preferred share” by “21.9.4.1”;

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

““fiscal law” means a fiscal law within the meaning of the Act respecting the Ministère du Revenu (chapter M-31);”;

(3) by striking out the definition of “Minister”.

21. (1) Section 21.1 of the Act is amended

(1) by replacing “paragraphs *d* and *e* of section 771.13” in the first, second and fourth paragraphs by “subparagraphs *d* to *f* of the first paragraph of section 771.13”;

(2) by replacing “section 776.1.5.6” in the first and fourth paragraphs by “sections 776.1.5.6, 776.1.12 and 776.1.13”.

(2) Paragraph 1 of subsection 1 has effect from 12 June 2003. However, when the first, second and fourth paragraphs of section 21.1 of the Act apply before 31 March 2004, they read as if “subparagraphs *d* to *f* of the first paragraph of section 771.13” was replaced by “subparagraphs *d* and *f* of the first paragraph of section 771.13”.

(3) Paragraph 2 of subsection 1 has effect from 23 March 2006.

22. (1) Section 21.3.7 of the Act is amended by replacing “paragraph *e* of section 771.13” in the portion before paragraph *a* by “subparagraph *e* of the first paragraph of section 771.13”.

(2) Subsection 1 has effect from 31 March 2004.

23. (1) Section 21.4.1 of the Act is amended, in paragraph *b*,

(1) by replacing “paragraph *d* or *e* of section 771.13” by “any of subparagraphs *d* to *f* of the first paragraph of section 771.13”;

(2) by inserting “section 776.1.12 or 776.1.13,” after “771.13,”.

(2) Paragraph 1 of subsection 1 applies in respect of a right acquired after 11 June 2003. However, when paragraph *b* of section 21.4.1 of the Act applies in respect of a right acquired before 31 March 2004, it reads as if “any of subparagraphs *d* to *f* of the first paragraph of section 771.13” was replaced by “subparagraph *d* or *f* of the first paragraph of section 771.13”.

(3) Paragraph 2 of subsection 1 applies in respect of a right acquired after 22 March 2006.

24. (1) Section 42 of the Act is amended by replacing “son transport” in the portion of paragraph *b* before subparagraph *i* in the French text by “le transport”.

(2) Subsection 1 applies to a taxation year in relation to which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007.

25. (1) Division VII of Chapter II of Title II of Book III of Part I of the Act is repealed.

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

26. (1) The heading of Division V.2 of Chapter III of Title II of Book III of Part I of the Act is replaced by the following heading:

“TRADESPERSONS AND APPRENTICE MECHANICS”.

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

27. (1) Section 75.2 of the Act is amended, in the first paragraph,

(1) by inserting “of Canada or” after “laws” in paragraph *a* of the definition of “eligible apprentice mechanic”;

(2) by inserting “or as a tradesperson” after “mechanic” in paragraphs *a* and *c* of the definition of “eligible tool”;

(3) by adding the following paragraph after paragraph *c* of the definition of “eligible tool”:

“(d) is, unless the device or equipment can be used only for the purpose of measuring, locating or calculating, not an electronic communication device or electronic data processing equipment.”

(2) Subsection 1 applies in respect of a property acquired after 1 May 2006.

28. (1) The Act is amended by inserting the following section after section 75.2:

“75.2.1. An individual who is employed as a tradesperson, at any time in the year, may deduct an amount not exceeding the lesser of \$500 and the amount determined by the formula

A – B.

In the formula in the first paragraph,

(a) A is the lesser of

i. the aggregate of all amounts each of which is the cost to the individual of an eligible tool acquired by the individual after 1 May 2006 and in the year, and

ii. the aggregate of

(1) the amount that would be the individual's income for the year from employment as a tradesperson if this chapter were read without reference to this division, and

(2) the amount, if any, by which the amount included in computing the individual's income for the year under paragraph *i* of section 312 exceeds the amount deducted in computing the individual's income for the year under paragraph *d.3.0.1* of section 336; and

(b) B is an amount of \$1,000.

An individual may deduct an amount for the year under the first paragraph only if the individual sends the Minister the prescribed form referred to in paragraph *c* of the definition of "eligible tool" in the first paragraph of section 75.2 with the fiscal return the individual is required to file for the year under this Part."

(2) Subsection 1 applies from the taxation year 2006. However, when section 75.2.1 of the Act applies to the taxation year 2006, subparagraph *ii* of subparagraph *a* of the second paragraph of that section reads as follows:

"ii. the amount that would be the individual's income for the year from employment as a tradesperson if this chapter were read without reference to this division; and".

29. (1) Section 75.3 of the Act is amended

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

"ii. the greater of

(1) the total of \$500 and the amount determined for the year for B in the formula in the first paragraph of section 75.2.1, and

(2) 5% of the amount determined under the third paragraph; and";

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

“The amount to which subparagraph 2 of subparagraph ii of subparagraph *b* of the second paragraph refers is equal to the aggregate of

(a) the aggregate of all amounts each of which is the individual’s income for the year from employment as an eligible apprentice mechanic, computed without reference to this section; and

(b) the amount, if any, by which the amount included in computing the individual’s income for the year under paragraph *i* of section 312 exceeds the amount deducted in computing the individual’s income for the year under paragraph *d.3.0.1* of section 336.”

(2) Subsection 1 applies from the taxation year 2006. However, when section 75.3 of the Act applies to the taxation year 2006, it reads

(1) as if subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the second paragraph were replaced by the following subparagraphs:

“(1) the total of \$1,000 and the amount deducted by the individual for the year under section 75.2.1, and

“(2) 5% of the aggregate of all amounts, each of which is the individual’s income for the year from employment as an eligible apprentice mechanic, computed without reference to this section; and”;

(2) without reference to the third paragraph.

30. (1) Section 75.5 of the Act is amended

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

“75.5. Except for the purposes of subparagraph *i* of subparagraph *a* of the second paragraph of section 75.2.1 and subparagraph *a* of the second paragraph of section 75.3, the cost to an individual of an eligible tool the cost of which was included in computing the aggregate determined under either of those provisions in respect of the individual for a taxation year is equal to the amount determined by the formula”;

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

“(b) B is

i. if the tool is an eligible tool in respect of which only section 75.2.1 applies for the year, the amount that is deductible by the individual for the year under that section,

ii. if the tool is an eligible tool in respect of which only section 75.3 applies for the year, the amount that would be determined under subparagraph *b* of the

first paragraph of section 75.3 in respect of the individual for the year if the excess amount determined under subparagraph *c* of the second paragraph of that section were nil, and

iii. if the tool is an eligible tool in respect of which sections 75.2.1 and 75.3 apply for the year, the aggregate of

(1) the amount that is deductible by the individual for the year under section 75.2.1, and

(2) the amount that would be determined under subparagraph *b* of the first paragraph of section 75.3 in respect of the individual for the year if the excess amount determined under subparagraph *c* of the second paragraph of that section were nil; and

“(c) C is

i. if the tool is an eligible tool in respect of which only section 75.2.1 applies for the year, the aggregate determined under subparagraph *i* of subparagraph *a* of the second paragraph of that section in respect of the individual for the year,

ii. if the tool is an eligible tool in respect of which only section 75.3 applies for the year, the aggregate determined under subparagraph *a* of the second paragraph of that section in respect of the individual for the year, and

iii. if the tool is an eligible tool in respect of which sections 75.2.1 and 75.3 apply for the year, the greater of the aggregate determined under subparagraph *i* of subparagraph *a* of the second paragraph of section 75.2.1 in respect of the individual for the year and the aggregate determined under subparagraph *a* of the second paragraph of section 75.3 in respect of the individual for the year.”

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

31. (1) The Act is amended by inserting the following section after section 75.5:

“75.6. If the amount described in subparagraph *b* of the second paragraph of section 75.2.1 is to be used for a taxation year subsequent to the taxation year 2007, it is to be adjusted annually in such a manner that the amount used for that taxation year is equal to the total of the amount used for the preceding taxation year and the product obtained by multiplying that amount by the factor determined by the formula

$(A/B) - 1$.

In the formula in the first paragraph,

(a) A is the overall average Québec consumer price index without alcoholic beverages and tobacco products for the 12-month period that ended on 30 September of the taxation year preceding that for which an amount is to be adjusted; and

(b) B is the overall average Québec consumer price index without alcoholic beverages and tobacco products for the 12-month period that ended on 30 September of the taxation year next before the year preceding that for which the amount is to be adjusted.

If the amount that results from the adjustment provided for in the first paragraph is not a multiple of \$5, it is to be rounded to the nearest multiple of \$5 or, if it is equidistant from two such multiples, to the higher of the two.”

(2) Subsection 1 applies from the taxation year 2008.

32. (1) Section 76 of the Act is amended

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

“(b) an amount, not exceeding the amount determined under the second paragraph, that is equal to the total of the rent and expenses in respect of utilities paid by the individual for the individual’s principal place of residence or for another principal living accommodation ordinarily occupied during the year by the individual, or the fair rental value of such a residence or living accommodation, including the value of utilities, owned by the individual or the individual’s spouse, to the extent that the individual is required to use that place of residence or other living accommodation in performing the duties of the individual’s office or employment.”;

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

(2) Paragraph 1 of subsection 1 applies from the taxation year 2007.

33. (1) Section 76.1 of the Act is repealed.

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

34. (1) Section 87 of the Act is amended

(1) by striking out paragraph *v*;

(2) by inserting “of Title III.3 of Book V or” after “any provision” in subparagraph *ii* of paragraph *w*.

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

(3) Paragraph 2 of subsection 1 applies to a taxation year that ends after 22 March 2006.

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

“105.2.1. A taxpayer may, in the taxpayer’s fiscal return filed for a taxation year in accordance with section 1000, or with an election under section 502 filed on or before the taxpayer’s filing-due date for the year, elect to have the rules set out in the second paragraph apply to a disposition made at any time in the year of a property that is an incorporeal capital property in respect of a business, if

(*a*) the taxpayer’s actual proceeds of disposition exceed the incorporeal capital amount in respect of the acquisition of the property;

(*b*) that incorporeal capital amount can be determined; and

(*c*) for a taxpayer who is an individual, the taxpayer’s exempt gains balance in respect of the business for the year determined in accordance with section 107.2 is nil.

The rules to which the first paragraph refers are the following:

(*a*) for the purposes of section 107, excluding the amount determined under subparagraph *a* of the first paragraph of section 107, the proceeds of disposition of the property are deemed to be equal to that incorporeal capital amount;

(*b*) the taxpayer is deemed to have disposed at that time of a capital property that had, immediately before that time, an adjusted cost base to the taxpayer equal to that incorporeal capital amount, for proceeds of disposition equal to the actual proceeds referred to in subparagraph *a* of the first paragraph; and”.

(2) Subsection 1 applies in respect of a disposition that occurs in a taxation year that ends after 27 February 2000. However, when the portion of section 105.2.1 of the Act before subparagraph *c* of the second paragraph applies

(1) in respect of a disposition that occurs before 21 December 2002, it reads as follows:

“105.2.1. A taxpayer may, in the taxpayer’s fiscal return filed for a taxation year in accordance with section 1000, elect to have the rules set out in the second paragraph apply to a disposition made at any time in the year of a property that is an intangible capital property, other than goodwill, in respect of a business, if

(a) the taxpayer's actual proceeds of disposition exceed the cost of the property;

(b) the cost of the property can be determined; and

(c) for a taxpayer who is an individual, the taxpayer's exempt gains balance in respect of the business for the year determined in accordance with section 107.2 is nil.

The rules to which the first paragraph refers are the following:

(a) for the purposes of section 107, the proceeds of disposition of the property are deemed to be equal to its cost;

(b) the taxpayer is deemed to have disposed at that time of a capital property that had, immediately before that time, an adjusted cost base to the taxpayer equal to the cost of the property, for proceeds of disposition equal to the actual proceeds referred to in subparagraph *a* of the first paragraph; and"; and

(2) between 20 December 2002 and 17 March 2005, it reads as follows:

"105.2.1. A taxpayer may, in the taxpayer's fiscal return filed for a taxation year in accordance with section 1000, or with an election under section 502 filed on or before the taxpayer's filing-due date for the year, elect to have the rules set out in the second paragraph apply to a disposition made at any time in the year of a property that is an intangible capital property in respect of a business, if

(a) the taxpayer's actual proceeds of disposition exceed the intangible capital amount in respect of the acquisition of the property;

(b) that intangible capital amount can be determined; and

(c) for a taxpayer who is an individual, the taxpayer's exempt gains balance in respect of the business for the year determined in accordance with section 107.2 is nil.

The rules to which the first paragraph refers are the following:

(a) for the purposes of section 107, excluding the amount determined under subparagraph *a* of the first paragraph of section 107, the proceeds of disposition of the property are deemed to be equal to that intangible capital amount;

(b) the taxpayer is deemed to have disposed at that time of a capital property that had, immediately before that time, an adjusted cost base to the taxpayer equal to that intangible capital amount, for proceeds of disposition equal to the actual proceeds referred to in subparagraph *a* of the first paragraph; and".

36. (1) The Act is amended by inserting the following sections after section 105.2.1:

“105.2.2. A taxpayer may, in the taxpayer’s fiscal return filed for a taxation year in accordance with section 1000, or with an election under section 502 filed on or before the taxpayer’s filing-due date for the year, elect to have the rules set out in the second paragraph apply, if at any time in the year the taxpayer disposes of a property that is an incorporeal capital property in respect of which an amount was payable or disbursed to acquire the property before 1972, which amount would have been an incorporeal capital amount had it been payable or disbursed as a result of a transaction that occurred after 1971, and

(a) the actual proceeds of disposition exceed the total amount payable or disbursed;

(b) the total amount payable or disbursed can be determined;

(c) section 36 of the Act respecting the application of the Taxation Act (chapter I-4) applies in respect of the disposition of that property; and

(d) for a taxpayer who is an individual, the taxpayer’s exempt gains balance in respect of a business for the year determined under section 107.2 is nil.

The rules to which the first paragraph refers are the following:

(a) for the purposes of section 107, excluding an amount determined under subparagraph *a* of the first paragraph of section 107, the proceeds of disposition of the property are deemed to be nil;

(b) the taxpayer is deemed to have disposed at that time of a capital property that had, immediately before that time, an adjusted cost base to the taxpayer equal to nil, for proceeds of disposition equal to the amount determined, in respect of the disposition, under section 36 of the Act respecting the application of the Taxation Act; and

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

“105.2.3. Sections 105.2.1 and 105.2.2 do not apply to a disposition by a taxpayer of a property

(a) that is goodwill; or

(b) that was acquired by the taxpayer

i. in circumstances where an election was made under section 518 or under the first paragraph of section 529 and the amount agreed on in that election in respect of the property was less than the fair market value of the property at the time it was so acquired, and

ii. from a person or partnership with whom or with which the taxpayer was not dealing at arm's length and for which the incorporeal capital amount in respect of the acquisition of the property cannot be determined.”

(2) Subsection 1 applies in respect of a disposition that occurs after 20 December 2002. However,

(1) when section 105.2.2 of the Act applies before 17 March 2005, it reads as if “incorporeal” in the portion of the first paragraph before subparagraph *a* was replaced wherever it appears by “intangible”; and

(2) when section 105.2.3 of the Act applies

(a) in respect of a disposition that occurs before 27 February 2004, it reads without reference to its paragraph *b*; and

(b) before 17 March 2005, it reads as if “incorporeal” in subparagraph ii of paragraph *b* of that section was replaced by “intangible”.

37. (1) Section 105.4 of the Act is amended by inserting “fishing” before “business” in the portion of the first paragraph before subparagraph *a* and in subparagraph *a* of the first, second and third paragraphs.

(2) Subsection 1 has effect from 2 May 2006.

38. (1) Section 106.1 of the Act is amended by replacing the portion of the first paragraph before subparagraph *a* by the following:

“**106.1.** Despite any other provision of this Part, if at a particular time a person or partnership, in this section referred to as the “purchaser”, has, directly or indirectly, in any manner whatever, acquired an incorporeal capital property in respect of a business from a transferor being a person or partnership with whom or with which the purchaser was not dealing at arm's length, and the property was an incorporeal capital property of the transferor, other than a property acquired by the purchaser as a consequence of the death of the transferor, the incorporeal capital amount of the purchaser in respect of the business is deemed, in respect of that acquisition, to be equal to $\frac{4}{3}$ of the amount by which either the amount determined under subparagraph *b* of the second paragraph of section 107 in respect of the disposition of the property by the transferor, or, if the transferor makes an election under section 105.2.1 in respect of the property, $\frac{3}{4}$ of the actual proceeds of disposition referred to in section 105.2.1, exceeds the aggregate of”.

(2) Subsection 1 applies to a taxation year that ends after 27 February 2000. However, when the portion of the first paragraph of section 106.1 of the Act before subparagraph *a* applies before 17 March 2005, it reads as if “incorporeal” was replaced wherever it appears by “intangible”.

39. (1) Section 107 of the Act is amended

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

“(a) the amount by which $\frac{3}{4}$ of the aggregate of all amounts each of which is an incorporeal capital amount in respect of the business that is payable or disbursed by the taxpayer before the particular time but after the taxpayer’s adjustment time, exceeds the aggregate of all amounts each of which is an amount determined by the formula

$$\frac{1}{2} \times (A - B) \times (C/D);”;$$

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

“The amount to which the first paragraph refers is equal to the aggregate of

(a) the amount by which the amount determined under the fourth paragraph is exceeded by the aggregate of”;

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

“(b) the aggregate of all amounts each of which is equal to $\frac{3}{4}$ of the amount by which a particular amount, other than an amount described in the fifth paragraph, that the taxpayer is or may become entitled to receive before the particular time but after the taxpayer’s adjustment time, on account of capital relating to the business carried on or formerly carried on by the taxpayer, exceeds all the expenses made or incurred by the taxpayer for the purpose of obtaining the particular amount, to the extent that they are not otherwise deductible in computing the taxpayer’s income.”;

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

“In the formula in subparagraph *a* of the first paragraph,

(a) A is the amount required, because of subparagraph *b* of section 105 or section 231, to be included in computing the income of a person or partnership, in this paragraph referred to as the “transferor”, not dealing at arm’s length with the taxpayer in respect of the disposition after 20 December 2002 of a property that is an incorporeal capital property acquired by the taxpayer directly or indirectly, in any manner whatever, from the transferor and not disposed of by the taxpayer before the particular time referred to in subparagraph *a* of the first paragraph;

(b) B is the aggregate of all amounts each of which is an amount that can reasonably be considered to have been claimed as a deduction under Title VI.5 of Book IV by the transferor in respect of the disposition of the property;

(c) C is the transferor's proceeds from the disposition of the property; and

(d) D is the aggregate of all amounts each of which is equal to the proceeds from the disposition of an incorporeal capital property that occurs in the taxation year of the transferor in which the property described in subparagraph *a* was disposed of.

“The amount to which subparagraph *a* of the second paragraph refers is equal to the aggregate of all amounts each of which is an amount included in computing the taxpayer's income from the business for a taxation year ending before the particular time but after the taxpayer's adjustment time,

(a) in the case of a taxation year that ends after 27 February 2000, under paragraph *a* of section 105, or

(b) in the case of a taxation year that ends before 28 February 2000,

i. under subparagraph i of paragraph *a* of section 105, as it read for that year, or

ii. under paragraph *b* of section 105, as it read for that year, to the extent that the amount so included relates to an amount included in the aggregate determined under subparagraph i of subparagraph *a* of the second paragraph.

“The amount to which subparagraph *b* of the second paragraph refers is

(a) an amount that is included in computing the taxpayer's income, or deducted in computing, for the purposes of this Part, any balance of undeducted outlays, expenses or other amounts for the year or a preceding taxation year;

(b) an amount that reduces the cost or capital cost of a property or the amount of an outlay or expense; or

(c) an amount that is included in computing any gain or loss of the taxpayer from the disposition of a capital property.”

(2) Paragraphs 1 and 2 of subsection 1 and paragraph 4 of subsection 1, when it enacts the third and fourth paragraphs of section 107 of the Act, apply to a taxation year that ends after 27 February 2000. However,

(1) when subparagraph *a* of the first paragraph of section 107 of the Act applies before 17 March 2005, it reads as if “incorporeal” in the portion before the formula was replaced by “intangible”;

(2) when the third paragraph of section 107 of the Act applies before 17 March 2005, it reads as if “incorporeal” wherever it appears was replaced by “intangible”; and

(3) subparagraph *a* of the third paragraph of section 107 of the Act reads as if “20 December 2002” was replaced by “31 December 2003”, if

(a) the taxpayer referred to in that subparagraph acquired the property referred to in that subparagraph from the transferor referred to in that subparagraph;

(b) the property was so acquired under an agreement in writing entered into before 21 December 2002, between the transferor, or a particular person that controlled the transferor, and another person that dealt at arm’s length with the transferor and the particular person; and

(c) no clause in the agreement or any other arrangement allows an obligation of any party to the agreement to be changed, reduced or waived in the event of a change to, or an adverse assessment under, the Act.

(3) Paragraph 3 of subsection 1 and paragraph 4 of subsection 1, when it enacts the fifth paragraph of section 107 of the Act, apply in respect of an amount that becomes receivable after 1 May 2006, unless the amount became receivable before 31 August 2006 and the taxpayer made a valid election under subsection 10 of section 3 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006 (Statutes of Canada, 2007, chapter 2).

40. (1) Section 147 of the Act is amended by replacing the first paragraph by the following paragraph:

“**147.** Subject to section 147.1, a taxpayer may deduct the portion of an amount, other than an amount referred to in the second paragraph of section 176, that is not otherwise deductible in computing the taxpayer’s income and that is an expense incurred in the year or a preceding taxation year in the course of an issuance or sale of a unit of a trust or of a share of the capital stock of a corporation, if the taxpayer is a unit trust or a corporation, or in the course of an issuance or sale, by a partnership, of an interest in the partnership or, by a syndicate, of a share in the syndicate.”

(2) Subsection 1 applies in respect of an expense incurred by a taxpayer after 30 November 1999, other than an expense incurred under a written agreement made by the taxpayer before 1 December 1999.

41. (1) Section 154.1 of the Act is repealed.

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

42. Section 159.6 of the Act is amended by replacing paragraph *a* of the definition of “original editorial content” in the first paragraph by the following paragraph:

“(a) the author of which is a Canadian citizen or a permanent resident within the meaning of the Immigration and Refugee Protection Act (Statutes of Canada, 2001, chapter 27); or”.

43. (1) Section 234.1 of the Act is replaced by the following section:

“234.1. In computing the amount that a taxpayer may claim as a reserve under subparagraph *b* of the first paragraph of section 234 in computing the taxpayer’s gain from the disposition of a property, that subparagraph is to be read as if “1/5” and “4” were replaced by “1/10” and “9”, respectively, if

(a) the property was disposed of by the taxpayer to the taxpayer’s child;

(b) that child was resident in Canada immediately before the disposition; and

(c) that property was, immediately before the disposition,

i. land in Canada or a depreciable property in Canada of a prescribed class that was used by the taxpayer or the spouse, a child or the father or mother of the taxpayer in carrying on a farming or fishing business in Canada,

ii. a share of the capital stock of a family farm corporation of the taxpayer within the meaning of subparagraph *a* of the first paragraph of section 451 or an interest in a family farm partnership of the taxpayer within the meaning of subparagraph *f* of that paragraph,

iii. a qualified small business corporation share of the taxpayer within the meaning of section 726.6.1, or

iv. a share of the capital stock of a family fishing corporation of the taxpayer within the meaning of subparagraph *a.1* of the first paragraph of section 451 or an interest in a family fishing partnership of the taxpayer within the meaning of subparagraph *g* of that first paragraph.”

(2) Subsection 1 applies in respect of the disposition of a property that occurs after 1 May 2006.

44. (1) Section 254.1.1 of the Act is amended by replacing “or a qualified farm property within the meaning of section 726.6” in the portion before paragraph *a* by “, a qualified farm property within the meaning of section 726.6 or a qualified fishing property within the meaning of that section”.

(2) Subsection 1 applies in respect of a real servitude established after 1 May 2006.

45. (1) Section 257 of the Act is amended by replacing “section 75.3” in paragraph *c* by “of section 75.2.1 or 75.3”.

(2) Subsection 1 has effect from 2 May 2006.

46. (1) Section 279.1 of the Act is replaced by the following section:

“279.1. In computing the amount that a taxpayer may claim under paragraph *a* of section 279 in computing the taxpayer’s gain from the disposition of a former property of the taxpayer, that paragraph is to be read as if “1/5” and “4” were replaced by “1/10” and “9”, respectively, if the former property is an immovable property in respect of whose disposition the rules set out in sections 460 to 462 applied to the taxpayer and a child of the taxpayer because of section 459.”

(2) Subsection 1 applies in respect of the disposition of a property that occurs after 1 May 2006.

47. (1) Section 311.1 of the Act is amended by replacing “under the Act respecting income support, employment assistance and social solidarity (chapter S-32.001)” in the portion of the second paragraph before subparagraph *a* by “under the Individual and Family Assistance Act (2005, chapter 15)”.

(2) Subsection 1 applies from the taxation year 2007.

48. (1) Section 312 of the Act is amended by inserting the following paragraph after paragraph *h*:

“(i) an amount received under the federal Apprenticeship Incentive Grant program administered by the Department of Human Resources and Social Development of Canada.”

(2) Subsection 1 applies from the taxation year 2007.

49. (1) Section 313.9 of the Act is replaced by the following section:

“313.9. A taxpayer shall also include the aggregate of all amounts received in the year as consideration for the disposition by the taxpayer of a property, other than a property acquired by the taxpayer in circumstances to which section 527.3 or 617.1 applied, the cost of which was included in computing an amount determined under section 75.2.1 or 75.3 in respect of the taxpayer or in respect of a person with whom the taxpayer is not dealing at arm’s length, to the extent that the aggregate of those amounts received as consideration for the disposition of the property in the year or in a preceding taxation year exceeds the total of

(a) the cost to the taxpayer of the property immediately before its disposition; and

(b) the aggregate of all amounts included in respect of the disposition of the property under this section in computing the taxpayer's income for a preceding taxation year.”

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

50. (1) Section 336 of the Act is amended

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

“(d.1.1) an amount repaid by the taxpayer in the year as a consequence of the application of section 89 of the Individual and Family Assistance Act (2005, chapter 15), section 110 of the Act respecting income support, employment assistance and social solidarity (chapter S-32.001), section 37 of the Act respecting income security (chapter S-3.1.1) or a similar provision of a law of a province other than Québec, to the extent that the amount has been included, under section 311.1, in computing the income of another person for the year or a preceding taxation year, except if the tax, interest and penalties that may reasonably be attributed to that amount have been remitted under section 94.0.4 of the Act respecting the Ministère du Revenu (chapter M-31);”;

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

“(d.2) an amount repaid by the taxpayer in the year pursuant to section 90 of the Individual and Family Assistance Act, section 102 of the Act respecting income support, employment assistance and social solidarity, section 35 of the Act respecting income security or a similar provision of a law of a province other than Québec, to the extent that the amount has been included, under section 311.1, in computing the taxpayer's income for the year or a preceding taxation year, except if the tax, interest and penalties that may reasonably be attributed to that amount have been remitted under section 94.0.4 of the Act respecting the Ministère du Revenu;”;

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

“(d.3.0.1) the aggregate of all amounts each of which is an amount paid in the year as a repayment under the federal Apprenticeship Incentive Grant program of an amount that was included in computing the taxpayer's income because of paragraph *i* of section 312 for the year or a preceding taxation year;”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 2006 and to a preceding taxation year in relation to which the time limits provided for in paragraph *a* of subsection 2 of section 1010 of the Act had not expired on 20 December 2006. However, when paragraph *d.1.1* of section 336 of the Act applies to a taxation year preceding the taxation year 2007, it reads without

reference to “section 89 of the Individual and Family Assistance Act (2005, chapter 15),”.

(3) Paragraphs 2 and 3 of subsection 1 apply from the taxation year 2007.

51. (1) Section 336.0.8 of the Act is replaced by the following section:

“336.0.8. For the purposes of sections 336.0.2 and 336.0.3, if an order or agreement, or any variation of the order or agreement, provides for the payment of an amount by a taxpayer to a person or for the benefit of the person, a child in the person’s custody or both the person and a child in the person’s custody, a benefit is paid by the Minister of Employment and Social Solidarity under Chapter I or II of Title II of the Individual and Family Assistance Act (2005, chapter 15), Chapter I of Title II of the Act respecting income support, employment assistance and social solidarity (chapter S-32.001) or Chapter II of the Act respecting income security (chapter S-3.1.1) because the taxpayer fails to pay all or part of the amount that the taxpayer is required to pay, and in a taxation year the taxpayer repays all or part of that benefit to the Minister of Employment and Social Solidarity, the amount so repaid is deemed to have been payable in that year under the order or agreement and to have been paid to and received by the person in that year.”

(2) Subsection 1 applies from the taxation year 2007.

52. (1) Section 336.5 of the Act is amended by replacing paragraph *c* of the definition of “investment expense” by the following paragraph:

“(c) for the purposes of subparagraph iv of that subparagraph *a.2*, any amount deducted in respect of the following expenses were equal to zero:

i. expenses renounced in respect of a flow-through share that was

(1) 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

(2) 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, and

ii. expenses described in section 336.5.1 renounced in respect of a flow-through share that was

(1) issued as a consequence of an investment made after 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 after that date, or

(2) 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 after 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 after that date;”.

(2) Subsection 1 applies to a taxation year that ends after 11 March 2005.

53. (1) The Act is amended by inserting the following section after section 336.5:

“336.5.1. The expenses to which subparagraph ii of paragraph *c* of the definition of “investment expense” in section 336.5 refers are the following:

(a) Canadian exploration expenses that would be described in paragraph *a.1* or *c.1* of section 395 if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec”;

(b) Canadian exploration expenses that would be described in paragraph *d* of section 395 if the reference in that paragraph to “expenses described in paragraphs *a* to *b.1* and *c* to *c.2*” were replaced by a reference to “expenses that would be described in paragraphs *a.1* and *c.1* if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec””;

(c) Canadian renewable and conservation expenses, within the meaning of section 399.7, to the extent that the expenses were incurred in respect of work carried out in Québec as part of a project relating to a business carried on in Québec;

(d) Canadian development expenses that would be described in any of paragraphs *a*, *a.1* and *b.1* of section 408 if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec”; and

(e) Canadian development expenses that would be described in paragraph *d* of section 408 if the reference in that paragraph to “any expense described in paragraphs *a* to *c*” were replaced by a reference to “any expense that would be described in paragraphs *a*, *a.1* and *b.1* if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “Québec””.

(2) Subsection 1 applies to a taxation year that ends after 11 March 2005.

54. (1) The Act is amended by inserting the following after section 421.9:

“DIVISION V

“INTEREST

“421.10. In computing income, no amount may be deducted in respect of an amount of interest payable under a fiscal law.

For the purposes of the first paragraph, a fiscal law includes a law of a country or of a state, province, territory or other political subdivision of a country that provides for the collection of income tax, duties or tax.”

(2) Subsection 1 applies in respect of an amount of interest payable for any period after 20 December 2006.

55. Section 427.4.1 of the Act is amended by replacing “424.4” in paragraphs *a* and *b* by “427.4”.

56. Section 429 of the Act is amended by replacing the third paragraph by the following paragraph:

“Within the time limit provided for in the second paragraph, the legal representative may revoke the election made under that paragraph by means of a notice filed with the Minister.”

57. (1) Section 444 of the Act is amended

(1) by replacing the first and second paragraphs by the following paragraphs:

“**444.** The rules set out in the second paragraph apply to an individual and to a child of the individual in respect of a property to which section 436 would, if this Act were read without reference to this section, apply if

(a) the property was, immediately before the individual’s death,

i. a share of the capital stock of a family farm corporation of the individual, an interest in a family farm partnership of the individual, a share of the capital stock of a family fishing corporation of the individual or an interest in a family fishing partnership of the individual, or

ii. land or a depreciable property of a prescribed class situated in Canada that was, before the death, used principally in the course of carrying on a fishing or farming business in Canada in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis or, in the case of a property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot;

(b) the child of the individual was resident in Canada immediately before the day on which the individual died; and

(c) because of the individual’s death, the property is transferred to and becomes vested indefeasibly in the child within the period ending 36 months after the individual’s death or, if application has been made to the Minister by the individual’s legal representative before the expiry of that period, within any longer period that the Minister considers reasonable.

“The rules to which the first paragraph refers are the following:

(a) if the individual’s legal representative does not make a valid election under paragraph *b* of subsection 9.01 or 9.21 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in the individual’s fiscal return filed under Part I of that Act for the year in which the individual died, to have that paragraph *b* apply to the individual and the child in respect of the property,

i. sections 422 and 436 do not apply to the individual and the child in respect of the property,

ii. the individual is deemed, immediately before the individual’s death, to have disposed of the property and received, at the time and in respect of the disposition of the property, proceeds of disposition equal to the following amount, and the child is deemed, immediately after the time and in respect of the disposition of the property, to have acquired the property at a cost equal to those proceeds:

(1) if the property is a depreciable property of a prescribed class, the lesser of the capital cost of the property to the individual and the amount, determined immediately before the time of the disposition of the property, that is equal to that proportion of the undepreciated capital cost of property of that class to the individual that the capital cost of the property to the individual is of the capital cost to the individual of all property of that class that had not, at or before that time, been disposed of, and

(2) if the property is land, other than land to which subparagraph 1 applies, a share of the capital stock of a family farm corporation of the individual or a share of the capital stock of a family fishing corporation of the individual, the adjusted cost base of the property to the individual immediately before the time of the disposition of the property,

iii. if the property is, immediately before the individual’s death, an interest in a family farm partnership of the individual or an interest in a family fishing partnership of the individual, other than an interest to which section 636 applies, the following rules apply:

(1) the individual is deemed, except for the purposes of section 632, not to have disposed of the property because of the individual’s death,

(2) the child is deemed to have acquired the property at the time of the individual’s death at a cost equal to the cost of the interest to the individual immediately before the time that is immediately before the time of the individual’s death, and

(3) each amount required by section 255 or 257 to be added or deducted in computing the adjusted cost base of the property to the individual, immediately before the individual’s death, is deemed to be an amount required by that

section 255 or 257 to be added or deducted in computing, at any time at or after the individual's death, the adjusted cost base of the property to the child,

iv. for the purposes of sections 93 to 104, Chapter III of Title III and any regulations under paragraph *a* of section 130 or section 130.1, if a depreciable property of a prescribed class of the individual is deemed under subparagraph ii to be acquired by the child because of the individual's death, except where the individual's proceeds of disposition of the property determined under subparagraph ii are redetermined under sections 93.1 to 93.3, and the capital cost of the property to the individual exceeds the amount determined under subparagraph ii to be the cost of the property to the child, the following rules apply:

(1) the capital cost of the property to the child is deemed to be equal to the capital cost of the property to the individual, and

(2) the excess is deemed to have been allowed to the child as depreciation in respect of the property for the taxation years that ended before the acquisition, and

v. despite subparagraph ii, if a property of the individual is deemed under subparagraph ii to be acquired by the child because of the individual's death, and the individual's proceeds of disposition of the property determined under subparagraph ii are redetermined under sections 93.1 to 93.3, the following rules apply:

(1) for the purposes of sections 93 to 104, Chapter III of Title III and any regulations under paragraph *a* of section 130 or section 130.1, if the property is a depreciable property of a prescribed class of the individual and the capital cost of the property to the individual exceeds the amount so redetermined under sections 93.1 to 93.3, the capital cost of the property to the child is deemed to be equal to the capital cost of the property to the individual, and the excess is deemed to have been allowed to the child as depreciation in respect of the property for the taxation years that ended before the acquisition, and

(2) if the property is land, other than land to which subparagraph 1 applies, the cost of the property to the child is deemed to be equal to the individual's proceeds of disposition of the property as redetermined under sections 93.1 to 93.3; and

(b) if the individual's legal representative makes a valid election under paragraph *b* of subsection 9.01 or 9.21 of section 70 of the Income Tax Act in the individual's fiscal return filed under Part I of that Act for the year in which the individual died, to have that paragraph *b* apply to the individual and the child in respect of the property,

i. subparagraph *a* applies without reference to its subparagraphs ii and iii and as if the references to that subparagraph ii in subparagraphs iv and v of that subparagraph *a* were read as references to subparagraph ii of this subparagraph *b*,

ii. subject to subparagraph iii, the individual is deemed, immediately before the individual's death, to have disposed of the property and received, at the time and in respect of the disposition, proceeds of disposition equal to

(1) subject to the third paragraph and unless otherwise specified by the individual's legal representative, the amount established in accordance with section 450.5 that is designated in respect of the property by the individual's legal representative in the individual's fiscal return filed in accordance with section 1000 for the year in which the individual died, if the individual, immediately before the individual's death, and the child, at the end of the child's taxation year in which the death occurred, were resident in Québec and the proportion determined under the second paragraph of section 22, in respect of each of those two latter persons to whom that second paragraph applies for the year in which the individual died, was not less than 9/10 for that year, or

(2) the amount that is determined in respect of the property under paragraph *b* of that subsection 9.01 or 9.21, if subparagraph 1 does not apply in respect of the property,

iii. subparagraph iii of subparagraph *a* applies in respect of a property described in that subparagraph iii, if the individual's legal representative makes another valid election under subparagraph iii of paragraph *b* of subsection 9.21 of section 70 of the Income Tax Act in the individual's fiscal return filed under Part I of that Act for the year in which the individual died, to have that subparagraph iii of paragraph *b* apply to the individual in respect of the property, and

iv. the child is deemed to have acquired the property

(1) immediately after the time of the disposition of the property and at a cost equal to the proceeds of disposition established in respect of the property under subparagraph ii, or

(2) if subparagraph iii applies, at the time of the individual's death and at a cost equal to the cost of the interest to the individual immediately before the time that is immediately before the time of the individual's death.”;

(2) by striking out the third paragraph;

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

“However, subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph does not apply in respect of the property unless all or substantially all of the difference between the amount that would, but for that subparagraph 1, be referred to in respect of the property in subparagraph 2 of that subparagraph ii and the amount designated in its respect in that subparagraph 1, is justified by a difference between the cost amount of the property to the individual, immediately before the individual's death, for the purposes of Part I of the Income Tax Act and the cost amount, at that time, for

the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.”;

(4) by replacing “subparagraph i of subparagraph *b* of the second paragraph” in the fifth paragraph by “subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph”;

(5) by replacing “fifth” in the sixth paragraph by “fourth” and by striking out “or distribution” in that paragraph;

(6) by replacing “under subsection 9 or 9.2, as the case may be,” in the portion of the seventh paragraph before subparagraph *a* by “under paragraph *b* of subsection 9.01 or 9.21”;

(7) by replacing “sixth” and “seventh” in the eighth paragraph by “fifth” and “sixth”, respectively;

(8) by replacing “fifth” and “seventh” in the ninth paragraph by “fourth” and “sixth”, respectively.

(2) Paragraphs 1, 3, 4 and 6 of subsection 1 apply in respect of the disposition of a property that occurs after 1 May 2006, except when the disposition of the property occurred before 1 January 2007 and the individual makes a valid election for the taxation year in which the disposition occurred under subsection 6 of section 10 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006 (Statutes of Canada, 2007, chapter 2). However, when subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 444 of the Taxation Act applies in respect of the disposition of a property that occurred before 21 December 2006, it reads as if “third” was replaced by “fourth”.

(3) Paragraphs 2, 5, 7 and 8 of subsection 1 apply in respect of the disposition of a property that occurs after 20 December 2006. In addition, when the third paragraph of section 444 of the Act applies in respect of the disposition of a property that occurred after 1 May 2006 and before 21 December 2006 and the individual does not make a valid election for the taxation year in which the disposition occurred under subsection 6 of section 10 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006, it reads as follows:

“Sections 520.3 and 522.1 to 522.5 apply, with the necessary modifications, in respect of the disposition of the property and the conditions described in subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph in relation to the individual and the child for the year in which the individual died.”

(4) In addition, when subparagraph i of subparagraph *b* of the second paragraph of section 444 of the Act applies in respect of the disposition of a property that occurs before 2 May 2006, it reads as if “at the end of the

individual's taxation year" was replaced by "at the end of the child's taxation year".

58. (1) Section 450 of the Act is amended

(1) by replacing the first and second paragraphs by the following paragraphs:

450. The rules set out in the second paragraph apply to a trust and a child of the settlor of the trust in respect of a property to which sections 653 to 656.1 would, if this Act were read without reference to this section, apply to the trust because of the death of the beneficiary under the trust who was the settlor's spouse if

(a) the property, or a property for which the property was substituted, was transferred to the trust by the settlor;

(b) section 440, section 454, as that section applied in respect of a transfer that occurred before 1 January 2000, or subparagraph i of paragraph c of section 454.1 applied to the settlor and the trust in respect of the transfer referred to in subparagraph a;

(c) the property is, immediately before the beneficiary's death,

i. land or a depreciable property of a prescribed class of the trust that was used in a fishing or farming business carried on in Canada,

ii. a share of the capital stock of a Canadian corporation that would, immediately before the beneficiary's death, be a share of the capital stock of a family farm corporation of the settlor, if the settlor owned the share at that time and subparagraph i of subparagraph a of the first paragraph of section 451 were read without reference to "in which the individual or a spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis or, in the case of property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot",

iii. a share of the capital stock of a Canadian corporation that would, immediately before the beneficiary's death, be a share of the capital stock of a family fishing corporation of the settlor, if the settlor owned the share at that time and subparagraph i of subparagraph a.1 of the first paragraph of section 451 were read without reference to "in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis", or

iv. an interest in a partnership that carried on a fishing or farming business in Canada in which it used all or substantially all of the property;

(d) in the case of a property referred to in any of subparagraphs ii to iv of subparagraph c, the property, or a property for which the property was

substituted, transferred to the trust by the settlor was, immediately before the transfer, a share of the capital stock of a family farm corporation of the settlor, a share of the capital stock of a family fishing corporation of the settlor, an interest in a family farm partnership of the settlor or an interest in a family fishing partnership of the settlor;

(e) the child of the settlor was resident in Canada immediately before the day on which the beneficiary died; and

(f) because of the beneficiary's death, the property is transferred to and becomes vested indefeasibly in the settlor's child within the period ending 36 months after the beneficiary's death or, if application has been made to the Minister by the beneficiary's legal representative before the expiry of that period, within any longer period that the Minister considers reasonable.

“The rules to which the first paragraph refers are the following:

(a) if the trust does not make a valid election under paragraph *b* of subsection 9.11 or 9.31 of section 70 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) in the trust's fiscal return filed under Part I of that Act for the year in which the beneficiary died, to have that paragraph *b* apply to the trust in respect of the property,

i. sections 422 and 653 to 656.1 do not apply to the trust and the child in respect of the property,

ii. the trust is deemed, immediately before the beneficiary's death, to have disposed of the property and received, at the time and in respect of the disposition of the property, proceeds of disposition equal to the following amount, and the child is deemed, immediately after the time and in respect of the disposition of the property, to have acquired the property at a cost equal to those proceeds:

(1) if the property is a depreciable property of a prescribed class, the lesser of the capital cost of the property to the trust and the amount, determined immediately before the time of the disposition of the property, that is equal to that proportion of the undepreciated capital cost of property of that class to the trust that the capital cost of the property to the trust is of the capital cost to the trust of all property of that class that had not, at or before that time, been disposed of, and

(2) if the property is land, other than land to which subparagraph 1 applies, or, immediately before the beneficiary's death, a share referred to in subparagraph ii or iii of subparagraph *c* of the first paragraph, the adjusted cost base of the property to the trust immediately before the time of the disposition of the property,

iii. if the property is, immediately before the beneficiary's death, an interest in a partnership described in subparagraph iv of subparagraph *c* of the first

paragraph, other than an interest to which section 636 applies, the following rules apply:

(1) the trust is deemed, except for the purposes of section 632, not to have disposed of the property because of the beneficiary's death,

(2) the child is deemed to have acquired the property at the time of the beneficiary's death at a cost equal to the cost of the interest to the trust immediately before the time that is immediately before the time of the beneficiary's death, and

(3) each amount required by section 255 or 257 to be added or deducted in computing the adjusted cost base of the property to the trust, immediately before the beneficiary's death, is deemed to be an amount required by that section 255 or 257 to be added or deducted in computing, at any time at or after the beneficiary's death, the adjusted cost base of the property to the child,

iv. for the purposes of sections 93 to 104, Chapter III of Title III and any regulations under paragraph *a* of section 130 or section 130.1, if a depreciable property of a prescribed class of the trust is deemed under subparagraph ii to be acquired by the child because of the death of the beneficiary under the trust, except where the trust's proceeds of disposition of the property determined under subparagraph ii are redetermined under sections 93.1 to 93.3, and the capital cost of the property to the trust exceeds the amount determined under subparagraph ii to be the cost of the property to the child, the following rules apply:

(1) the capital cost of the property to the child is deemed to be equal to the capital cost of the property to the trust, and

(2) the excess is deemed to have been allowed to the child as depreciation in respect of the property for the taxation years that ended before the acquisition, and

v. despite subparagraph ii, if a property of the trust is deemed under subparagraph ii to be acquired by the child because of the death of the beneficiary under the trust, and the trust's proceeds of disposition of the property determined under subparagraph ii are redetermined under sections 93.1 to 93.3, the following rules apply:

(1) for the purposes of sections 93 to 104, Chapter III of Title III and any regulations under paragraph *a* of section 130 or section 130.1, if the property is a depreciable property of a prescribed class and the capital cost of the property to the trust exceeds the amount so redetermined under sections 93.1 to 93.3, the capital cost of the property to the child is deemed to be equal to the capital cost of the property to the trust, and the excess is deemed to have been allowed to the child as depreciation in respect of the property for the taxation years that ended before the acquisition, and

(2) if the property is land, other than land to which subparagraph 1 applies, the cost of the property to the child is deemed to be equal to the trust's proceeds of disposition of the property as redetermined under sections 93.1 to 93.3; and

(b) if the trust makes a valid election under paragraph *b* of subsection 9.11 or 9.31 of section 70 of the Income Tax Act in the trust's fiscal return filed under Part I of that Act for the year in which the beneficiary died, to have that paragraph *b* apply to the trust in respect of the property,

i. subparagraph *a* applies without reference to its subparagraphs i, ii and iii and as if the references to that subparagraph ii in subparagraphs iv and v of that subparagraph *a* were read as references to subparagraph iv of this subparagraph *b*,

ii. if the property is described in subparagraph i of subparagraph *c* of the first paragraph, sections 653 to 656.1 do not apply to the trust in respect of the property,

iii. if the property is described in any of subparagraphs ii to iv of subparagraph *c* of the first paragraph, section 422 does not apply to the trust and the child in respect of the transfer of the property and section 653 does not apply to the trust in respect of the property,

iv. subject to subparagraph v, the trust is deemed, immediately before the beneficiary's death, to have disposed of the property and received, at the time and in respect of the disposition, proceeds of disposition equal to

(1) subject to the third paragraph and unless otherwise specified by the trust, the amount established in accordance with section 450.5 that is designated in respect of the property by the trust in the trust's fiscal return filed in accordance with section 1000 for the year in which the beneficiary under the trust died, if the trust and the child, at the end of their respective taxation year in which the death occurred, were resident in Québec and the proportion determined under the second paragraph of section 22, in respect of each of those two latter persons to whom that second paragraph applies for the year in which the beneficiary under the trust died, was not less than 9/10 for that year, or

(2) the amount that is determined in respect of the property under paragraph *b* of that subsection 9.11 or 9.31, if subparagraph 1 does not apply in respect of the property,

v. subparagraph iii of subparagraph *a* applies in respect of a property described in that subparagraph iii, if the trust makes another valid election under subparagraph iii of paragraph *b* of subsection 9.31 of section 70 of the Income Tax Act in the trust's fiscal return filed under Part I of that Act for the year in which the beneficiary died, to have that subparagraph iii of paragraph *b* apply to the trust in respect of the property, and

vi. the child is deemed to have acquired the property

(1) immediately after the time of the disposition of the property and at a cost equal to the proceeds of disposition established in respect of the property under subparagraph iv, or

(2) if subparagraph v applies, at the time of the beneficiary's death and at a cost equal to the cost of the interest to the trust immediately before the time that is immediately before the time of the beneficiary's death.”;

(2) by striking out the third paragraph;

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

“However, subparagraph 1 of subparagraph iv of subparagraph *b* of the second paragraph does not apply in respect of the property unless all or substantially all of the difference between the amount that would, but for that subparagraph 1, be referred to in respect of the property in subparagraph 2 of that subparagraph iv and the amount designated in its respect in that subparagraph 1, is justified by a difference between the cost amount of the property to the trust, immediately before the beneficiary's death, for the purposes of Part I of the Income Tax Act and the cost amount, at that time, for the purposes of this Part, or by another reason considered by the Minister to be acceptable in the circumstances.”;

(4) by replacing “subparagraph i of subparagraph *b* of the second paragraph” in the fifth paragraph by “subparagraph 1 of subparagraph iv of subparagraph *b* of the second paragraph”;

(5) by replacing “fifth” in the sixth paragraph by “fourth” and by striking out “or distribution” in that paragraph;

(6) by replacing “under subsection 9.1 or 9.3, as the case may be,” in the portion of the seventh paragraph before subparagraph *a* by “under paragraph *b* of subsection 9.11 or 9.31”;

(7) by replacing “sixth” and “seventh” in the eighth paragraph by “fifth” and “sixth”, respectively;

(8) by replacing “fifth” and “seventh” in the ninth paragraph by “fourth” and “sixth”, respectively.

(2) Paragraphs 1, 3, 4 and 6 of subsection 1 apply in respect of the disposition of a property that occurs after 1 May 2006, except when the disposition of the property occurred before 1 January 2007 and the individual makes a valid election for the taxation year in which the disposition occurred under subsection 6 of section 10 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006 (Statutes of Canada, 2007, chapter 2). However, when subparagraph 1 of subparagraph iv

of subparagraph *b* of the second paragraph of section 450 of the Taxation Act applies in respect of the disposition of a property that occurred before 21 December 2006, it reads as if “third” was replaced by “fourth”.

(3) Paragraphs 2, 5, 7 and 8 of subsection 1 apply in respect of the disposition of a property that occurs after 20 December 2006. In addition, when the third paragraph of section 450 of the Act applies in respect of the disposition of a property that occurred after 1 May 2006 and before 21 December 2006 and the individual does not make a valid election for the taxation year in which the disposition occurred under subsection 6 of section 10 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006, it reads as follows:

“Sections 520.3 and 522.1 to 522.5 apply, with the necessary modifications, in respect of the disposition of the property and the conditions described in subparagraph 1 of subparagraph iv of subparagraph *b* of the second paragraph in relation to the trust and the child for the year in which the beneficiary under the trust died.”

59. (1) Section 450.5 of the Act is amended

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

“**450.5.** For the purposes of subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 444 and subparagraph 1 of subparagraph iv of subparagraph *b* of the second paragraph of section 450, the amount designated in respect of a property by the legal representative of the individual referred to in section 444 or by the trust referred to in section 450, as the case may be, must not be less than the lesser of nor greater than the greater of

(a) the fair market value of the property immediately before the time of its disposition; and”;

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

“i. the property is a depreciable property of a prescribed class, the lesser of the capital cost of the property to the individual or to the trust and the amount, determined immediately before the time of the disposition of the property, that is equal to that proportion of the undepreciated capital cost of the property of that class to the individual or to the trust that the capital cost of the property to the individual or to the trust is of the capital cost to the individual or to the trust of all the property of that class that had not, at or before that time, been disposed of,

“ii. in the case of the individual referred to in section 444, the property is land, other than land to which subparagraph i applies, a share of the capital

stock of a family farm corporation, a share of the capital stock of a family fishing corporation, an interest in a family farm partnership, or an interest in a family fishing partnership, the adjusted cost base of the property to the individual immediately before the time of the disposition of the property, or”;

(3) by adding the following subparagraph after subparagraph ii of subparagraph *b* of the first paragraph:

“iii. in the case of the trust referred to in section 450, the property is land, other than land to which subparagraph i applies, a share referred to in subparagraph ii or iii of subparagraph *c* of the first paragraph of that section, or an interest in a partnership described in subparagraph iv of subparagraph *c* of the first paragraph of that section, the adjusted cost base of the property to the trust immediately before the time of the disposition of the property.”;

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

“If the amount designated in respect of a property is less than the lesser of the amounts determined in respect of the property under subparagraphs *a* and *b* of the first paragraph, it is deemed, for the purposes of subparagraph 1 of subparagraph ii of subparagraph *b* of the second paragraph of section 444 and subparagraph 1 of subparagraph iv of subparagraph *b* of the second paragraph of section 450, to be equal to the lesser of those amounts, and if it is greater than the greater of those amounts, it is deemed, for the purposes of those subparagraphs 1, to be equal to the greater of the amounts determined under those subparagraphs *a* and *b* of the first paragraph in respect of the property.”

(2) Subsection 1 applies in respect of the disposition of a property that occurs after 1 May 2006, unless the disposition of the property occurred before 1 January 2007 and the individual makes a valid election for the taxation year in which the disposition occurred under subsection 6 of section 10 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006 (Statutes of Canada, 2007, chapter 2).

60. (1) Section 450.6 of the Act is replaced by the following section:

“450.6. Section 444 applies in respect of the transfer of a property as if “to a child” and “in the child” were replaced by “to the father or mother” and “in the father or mother”, respectively, and as if “the child” were replaced by “the father or mother”, if

(a) the property was acquired by an individual in circumstances where any of sections 444, 450 and 460 to 462 applied in respect of the acquisition;

(b) the property is transferred to the father or mother of the individual because of the individual’s death; and

(c) the individual’s legal representative makes a valid election in the fiscal return filed under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) for the taxation year in which the individual

died, to have subsection 9.6 of section 70 of that Act apply in respect of the transfer.”

(2) Subsection 1 applies in respect of the disposition of a property that occurs after 1 May 2006, unless the disposition of the property occurred before 1 January 2007 and the individual makes a valid election for the taxation year in which the disposition occurred under subsection 6 of section 10 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006 (Statutes of Canada, 2007, chapter 2).

61. (1) Section 450.9 of the Act is replaced by the following section:

“450.9. For the purposes of section 105, paragraph *b* of section 130, sections 444 and 459, subparagraph iv of subparagraphs *a* and *a.0.1* of the first paragraph of section 726.6, a property of an individual is, at a particular time, deemed to be used by the individual in a fishing or farming business carried on in Canada if, at that particular time, the property is being used, principally in the course of carrying on a fishing or farming business in Canada, by

(*a*) a corporation, a share of the capital stock of which is a share of the capital stock of a family farm corporation, or a share of the capital stock of a family fishing corporation, of the individual or of the spouse, a child or the father or mother of the individual; or

(*b*) a partnership, a partnership interest in which is an interest in a family farm partnership, or an interest in a family fishing partnership, of the individual or of the spouse, a child or the father or mother of the individual.”

(2) Subsection 1 applies in respect of the disposition of a property that occurs after 1 May 2006, unless the disposition of the property occurred before 1 January 2007 and the individual makes a valid election for the taxation year in which the disposition occurred under subsection 6 of section 10 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006 (Statutes of Canada, 2007, chapter 2).

62. (1) Section 451 of the Act is amended, in the first paragraph,

(1) by replacing “a particular time” in the portion of subparagraph *a* before subparagraph i by “any time”;

(2) by replacing subparagraphs ii and iii of subparagraph *a* by the following subparagraphs:

“ii. shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv,

“iii. partnership interests or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv, or”;

(3) by adding the following subparagraph after subparagraph iii of subparagraph *a*:

“iv. property described in any of subparagraphs i to iii;”;

(4) by inserting the following subparagraph after subparagraph *a*:

“(a.1) “share of the capital stock of a family fishing corporation” of an individual at any time means a share of the capital stock of a corporation owned by the individual at that time if all or substantially all of the fair market value of the property owned by the corporation at that time was attributable to

i. property that has been used principally in the course of carrying on a fishing business in Canada in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis, by

(1) the corporation or another corporation, a share of the capital stock of which is a share of the capital stock of a family fishing corporation of the individual or of the spouse, a child or the father or mother of the individual,

(2) a corporation controlled by a corporation described in subparagraph 1,

(3) the individual,

(4) the spouse, a child or the father or mother of the individual, or

(5) a partnership, a partnership interest in which is an interest in a family fishing partnership of the individual or of the spouse, a child or the father or mother of the individual,

ii. shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv,

iii. partnership interests or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv, or

iv. property described in any of subparagraphs i to iii;”;

(5) by replacing “a particular time” in the portion of subparagraph *f* before subparagraph i by “any time”;

(6) by replacing “any of the following persons:” in the portion of subparagraph i of subparagraph *f* before subparagraph 1 by “by”;

(7) by adding the following subparagraph after subparagraph 3 of subparagraph i of subparagraph *f*:

“(4) a partnership, a partnership interest in which is an interest in a family farm partnership of the individual or of the spouse, a child or the father or mother of the individual.”;

(8) by replacing subparagraphs ii and iii of subparagraph *f* by the following subparagraphs:

“ii. shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv,

“iii. partnership interests or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv, or”;

(9) by adding the following subparagraph after subparagraph iii of subparagraph *f*:

“iv. property described in any of subparagraphs i to iii;”;

(10) by adding the following subparagraph after subparagraph *f*:

“(g) “interest in a family fishing partnership” of an individual at any time means a partnership interest owned by the individual at that time if, at that time, all or substantially all of the fair market value of the property of the partnership was attributable to

i. property that has been used principally in the course of carrying on a fishing business in Canada in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis by the partnership or by

(1) the individual,

(2) the spouse, a child or the father or mother of the individual,

(3) a corporation, a share of the capital stock of which is a share of the capital stock of a family fishing corporation of the individual or of the spouse, a child or the father or mother of the individual, or

(4) a partnership, a partnership interest in which is an interest in a family fishing partnership of the individual or of the spouse, a child or the father or mother of the individual,

ii. shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv,

iii. partnership interests or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv, or

iv. property described in any of subparagraphs i to iii.”

(2) Subsection 1 applies in respect of the disposition of a property that occurs after 1 May 2006, unless the disposition of the property occurred before 1 January 2007 and the individual makes a valid election for the taxation year in which the disposition occurred under subsection 6 of section 10 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006 (Statutes of Canada, 2007, chapter 2).

63. (1) Sections 459 to 462 of the Act are replaced by the following sections:

“459. Sections 460 to 462 apply to an individual and to a child of the individual in respect of a property transferred, at any time, by the individual to the child, if the child was resident in Canada immediately before the transfer and if

(a) the property was, immediately before the transfer, land situated in Canada, a depreciable property of a prescribed class situated in Canada or an incorporeal capital property in respect of a fishing or farming business carried on by the individual in Canada, and was used principally in the business of fishing or farming in which the individual or the spouse, a child or the father or mother of the individual was actively engaged on a regular and continuous basis or, in the case of a property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot; or

(b) the property was, immediately before the transfer, a share of the capital stock of a family farm corporation of the individual, a share of the capital stock of a family fishing corporation of the individual, an interest in a family farm partnership of the individual or an interest in a family fishing partnership of the individual.

“460. If, because of section 459, this section applies to an individual in respect of a property transferred by the individual to the child of the individual, the following rules apply:

(a) in cases where paragraph *b* and section 461 do not apply, the individual is deemed to have disposed of the property, at the time of the transfer, for proceeds equal to proceeds of disposition otherwise determined;

(b) subject to paragraph *c*, if the proceeds of disposition of the property otherwise determined exceed the greater of the following amounts, the individual is deemed to have disposed of the property at the time of the transfer for the greater of those amounts:

i. the fair market value of the property immediately before the time of the transfer, and

ii. if, immediately before the transfer, the property was

(1) a depreciable property of a prescribed class, the lesser of the capital cost of the property and the amount, determined immediately before the time of the disposition of the property, that is equal to that proportion of the undepreciated capital cost of the property of that class to the individual that the capital cost of the property to the individual is of the capital cost to the individual of all the property of that class that had not, at or before that time, been disposed of,

(2) land, a share of the capital stock of a family farm corporation of the individual, a share of the capital stock of a family fishing corporation of the individual, an interest in a family farm partnership of the individual or an interest in a family fishing partnership of the individual, the adjusted cost base of the property to the individual immediately before the time of the transfer, or

(3) an incorporeal capital property in respect of a business, the amount obtained by multiplying $\frac{4}{3}$ by that proportion of the individual's eligible incorporeal capital amount in respect of the business that the fair market value of the property immediately before the transfer was of the fair market value at that time of the aggregate of the individual's incorporeal capital property in respect of the business;

(c) if, immediately before the transfer, the property was an interest in a family farm partnership of the individual or an interest in a family fishing partnership of the individual and the individual receives no consideration in respect of the transfer of the property and makes a valid election under paragraph *c* of subsection 4.1 of section 73 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in the individual's fiscal return filed under Part I of that Act for the taxation year that includes the time of the transfer, to have that paragraph *c* apply in respect of the transfer of the property, the individual is deemed, except for the purposes of section 632, not to have disposed of the property at the time of the transfer; and

(d) section 422 does not apply to the individual in respect of the property.

“461. If the proceeds of disposition, otherwise determined, of a property referred to in any of subparagraphs 1 to 3 of subparagraph ii of paragraph *b* of section 460 are less than the lesser of the amount referred to in subparagraph i of that paragraph *b* and the amount determined under any of subparagraphs 1 to 3 of subparagraph ii of that paragraph *b* that is applicable in respect of the property, they are deemed to be equal to the lesser of those amounts.

“462. If, because of section 459, this section applies to a child of an individual in respect of a property transferred by the individual to the child, the following rules apply:

(a) section 422 does not apply to the child in respect of the property;

(b) subject to subparagraph *e*, if the property is a depreciable property of a prescribed class of the individual, land, a share of the capital stock of a family farm corporation of the individual, a share of the capital stock of a family fishing corporation of the individual, an interest in a family farm partnership of the individual or an interest in a family fishing partnership of the individual, the child is deemed to have acquired the property at a cost equal to the individual's proceeds of disposition of the property, as determined under paragraphs *a* and *b* of section 460 and section 461;

(c) if the property was a depreciable property of a prescribed class of the individual and the capital cost of the property to the individual exceeds the capital cost of the property to the child, for the purposes of sections 93 to 104, 130 and 130.1 and regulations under section 130 or 130.1, the capital cost of the property to the child is deemed to be the amount that was the capital cost of the property to the individual immediately before the transfer and the excess is deemed to have been allowed to the child in respect of the property as depreciation in computing income for the taxation years that ended before the child acquired the property;

(d) if the property was, immediately before the transfer, an incorporeal capital property of the individual in respect of a business and the child does not continue to carry on the business, the child is deemed to have acquired a capital property, immediately after the transfer, at a cost equal to the individual's proceeds of disposition of the property, as determined under paragraphs *a* and *b* of section 460 and section 461; however, if the child continues to carry on the business, the child is deemed to have acquired the incorporeal capital property and have disbursed an incorporeal capital amount equal to the aggregate of

i. the individual's proceeds of disposition of the property, as determined under paragraphs *a* and *b* of section 460 and section 461, and

ii. $\frac{4}{3}$ of the amount by which that proportion of the excess determined under subparagraph *a* of the second paragraph of section 107 in respect of the individual's business immediately before the transfer that the fair market value of the property, immediately before the transfer, is of the fair market value at that time of the aggregate of the individual's incorporeal capital property in respect of the business, exceeds the amount included under paragraph *a* of section 105 in computing the individual's income as a result of the disposition; and

(e) if the property was, immediately before the transfer, an interest in a family farm partnership of the individual or an interest in a family fishing partnership of the individual, other than an interest to which section 636 applies, and the individual receives no consideration in respect of the transfer of the property and makes the election referred to in paragraph *c* of section 460 in respect of the transfer of the property, the following rules apply:

i. the child is deemed to have acquired the property at the time of the transfer at a cost equal to the cost of the interest to the individual immediately before the time of the transfer, and

ii. each amount required by section 255 or 257 to be added or deducted in computing the adjusted cost base of the property to the individual, immediately before the transfer, is deemed to be an amount required by that section 255 or 257 to be added or deducted in computing at any time at or after the time of the transfer, the adjusted cost base of the property to the child.

For the purpose of determining, at any subsequent time, the eligible incorporeal capital amount of the child referred to in subparagraph *d* of the first paragraph in respect of the business the child continues to carry on, an amount equal to $\frac{3}{4}$ of the amount determined under subparagraph ii of that subparagraph *d* is to be added to the aggregate otherwise determined under subparagraph i of subparagraph *a* of the second paragraph of section 107.

For the purpose of determining, after the time of the transfer, the amount deemed to be the child's capital gain and the amount to be included in computing the child's income, in respect of any disposition of the property, that proportion of the amount determined under subparagraph ii of subparagraph *a* of the second paragraph of section 107 in respect of the business immediately before the time of the transfer that the fair market value of the property transferred immediately before that time is of the fair market value, immediately before that time, of the aggregate of the incorporeal capital property of the individual in respect of the business, is to be added to the amount otherwise determined under that subparagraph ii in respect of the business."

(2) Subsection 1 applies in respect of the disposition of a property that occurs after 1 May 2006, unless the disposition of the property occurred before 1 January 2007 and the individual makes a valid election for the taxation year in which the disposition occurred under subsection 5 of section 11 of the Second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006 (Statutes of Canada, 2007, chapter 2).

(3) In addition, when subparagraph *a* of the first paragraph of section 462 of the Act applies in respect of a disposition that occurs after 20 December 2002, it reads as if "sections 422 to 424 do not apply" was replaced by "section 422 does not apply".

64. (1) Section 462.2 of the Act is replaced by the following section:

"462.2. If an individual has transferred or loaned a property, either directly or indirectly, by means of a trust or otherwise, to or for the benefit of a person who was under 18 years of age and who is not dealing with the individual at arm's length or is the niece or nephew of the individual, other than an amount received in respect of that person because of the application of subsection 1 of section 122.61 of the Income Tax Act (Revised Statutes of

Canada, 1985, chapter 1, 5th Supplement), section 4 of the Universal Child Care Benefit Act, enacted by section 168 of the Budget Implementation Act, 2006 (Statutes of Canada, 2006, chapter 4), or section 1029.8.61.18, any income or loss of that person for a taxation year from the property or from any property substituted for that property, that relates to the period in the year throughout which the individual is resident in Canada, is deemed to be income or a loss of the individual for the year and not of that person unless that person has reached 18 years of age before the end of the year.”

(2) Subsection 1 applies in respect of an amount received after 30 June 2006. In addition, when section 462.2 of the Act applies to an amount received after 14 December 2004, it reads as follows:

“462.2. Where an individual has transferred or loaned property, either directly or indirectly, by means of a trust or otherwise, to or for the benefit of a person who was under 18 years of age and who does not deal with the individual at arm’s length, or is the niece or nephew of the individual, other than an amount received in respect of that person by reason of the application of subsection 1 of section 122.61 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or section 1029.8.61.18, any income or loss of that person for a taxation year from the property or from property substituted therefor, that relates to the period in the year throughout which the individual is resident in Canada, is deemed to be income or a loss of the individual for the year and not of that person unless that person has, before the end of the year, attained the age of 18 years.”

65. Section 485.40 of the Act is amended by replacing “subparagraph” in paragraphs *c* and *d* by “paragraph”.

66. (1) Section 527.3 of the Act is amended by replacing “section 75.3” in the portion before paragraph *a* by “section 75.2.1 or 75.3”.

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

67. Section 550.3 of the Act is amended

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

“550.3. For the purposes of sections 21.5 to 21.9.4.1, if, as a result of an amalgamation after 16 November 1978, a particular share of any class of the capital stock of the new corporation is issued in consideration for the disposition of a share of any class of the capital stock of a predecessor corporation and the terms and conditions of the particular share are similar to the terms and conditions of the share so disposed of, the following rules apply:”;

(2) by striking out “être” in paragraph *c* in the French text.

68. (1) Section 617.1 of the Act is amended by replacing “section 75.3” in the portion before paragraph *a* by “section 75.2.1 or 75.3”.

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

69. (1) Section 668.1 of the Act is amended

(1) by replacing “subparagraphs i and ii” in paragraph *a* by “subparagraphs i to iii”;

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

“(b) the beneficiary is deemed, for the purposes of sections 28, 462.8 to 462.10 and 727 to 737 as they apply for the purposes of Title VI.5 of Book IV, to have disposed of the capital property referred to in any of subparagraphs i to iii if a capital gain is determined under any of those subparagraphs in respect of the beneficiary for the beneficiary’s taxation year in which the designation year ends and to have a taxable capital gain for that taxation year”;

(3) by adding the following subparagraph after subparagraph ii of paragraph *b*:

“iii. from a disposition of a capital property that is a qualified fishing property of the beneficiary equal to the amount determined by the formula

$(A \times B \times G) / (D \times E)$; and”.

(2) Subsection 1 applies to a taxation year of a trust that ends after 1 May 2006.

70. (1) Section 668.2 of the Act is amended

(1) by replacing “subparagraphs i and ii” in the portion before paragraph *a* by “subparagraphs i to iii”;

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

“(b) B is the amount by which the amount designated under section 668 for the designation year by the trust in respect of the beneficiary exceeds the amount determined in relation to the trust in respect of the beneficiary under section 663.2 for the taxation year;”;

(3) by replacing “paragraphs *c* and *f*” in paragraph *e* by “paragraphs *c*, *f* and *g*”;

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

“(g) G is the amount that would be determined under paragraph *b* of section 28 for the designation year in respect of the trust’s capital gains and capital losses if the only properties referred to in that paragraph were qualified fishing properties of the trust disposed of by it after 1 May 2006.”

(2) Subsection 1 applies to a taxation year of a trust that ends after 1 May 2006.

71. (1) Section 668.4 of the Act is amended

(1) by replacing “Aux fins” in the portion before the definition of “action admissible d’une société qui exploite une petite entreprise” in the French text by “Pour l’application”;

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

““qualified fishing property” of an individual has the meaning assigned by subparagraph *a.0.1* of the first paragraph of section 726.6;”.

(2) Paragraph 2 of subsection 1 has effect from 2 May 2006.

72. (1) Section 725 of the Act is amended by replacing paragraph *c* by the following paragraph:

“(c) a social assistance payment made on the basis of a means, needs or income test, that is a payment other than a payment received as financial assistance under the Individual and Family Assistance Act (2005, chapter 15) or as similar government assistance and that is included in computing the individual’s income because of section 311.1 or because of section 317 as a supplement or allowance received under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) or in respect of any similar payment made under a law of a province;”.

(2) Subsection 1 applies from the taxation year 2007.

73. (1) Section 726.6 of the Act is amended

(1) by inserting “principally” after “used” in the portion of subparagraph *i* of subparagraph *a* of the first paragraph before subparagraph 1;

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

“(2) if the individual is a personal trust, a beneficiary under the trust that is entitled to receive directly from the trust all or part of the income or capital of the trust;”;

(3) by replacing subparagraph *a.0.1* of the first paragraph by the following subparagraph:

“(a.0.1) “qualified fishing property” of an individual, other than a trust that is not a personal trust, at any time means a property owned at that time by the individual, the spouse of the individual or a partnership, an interest in which is an interest in a family fishing partnership of the individual or the individual’s spouse that is

i. an immovable or a fishing boat that was used principally in the course of carrying on a fishing business in Canada by

(1) the individual,

(2) if the individual is a personal trust, a beneficiary under the trust that is entitled to receive directly from the trust all or part of the income or capital of the trust,

(3) the spouse, a child or the father or mother of a person referred to in subparagraph 1 or 2,

(4) a corporation, a share of the capital stock of which is a share of the capital stock of a family fishing corporation of an individual referred to in any of subparagraphs 1 to 3, or

(5) a partnership, an interest in which is an interest in a family fishing partnership of an individual referred to in any of subparagraphs 1 to 3,

ii. a share of the capital stock of a family fishing corporation of the individual or the individual’s spouse,

iii. an interest in a family fishing partnership of the individual or the individual’s spouse, or

iv. an incorporeal capital property used in the course of carrying on a fishing business in Canada by a person or a partnership referred to in any of subparagraphs 1 to 5 of subparagraph i or by a personal trust from which the individual acquired the capital property;”;

(4) by replacing “fifth paragraph” wherever it appears in subparagraph 1 of subparagraph i of subparagraph a.3 of the first paragraph by “third paragraph”;

(5) by inserting the following subparagraph after subparagraph 2 of subparagraph i of subparagraph a.3 of the first paragraph:

“(2.1) a partnership interest in or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph 3, or”;

(6) by replacing “subparagraph 1 or 2” in subparagraph 3 of subparagraph i of subparagraph a.3 of the first paragraph by “any of subparagraphs 1 to 2.1”;

(7) by replacing subparagraph ii of subparagraph *a.3* of the first paragraph by the following subparagraph:

“ii. at that time, all or substantially all of the fair market value of the property of the partnership was attributable to property described in subparagraph 3 of subparagraph i;”;

(8) by inserting the following subparagraph after subparagraph *a.3* of the first paragraph:

“(a.4) “interest in a family fishing partnership” of an individual, other than a trust that is not a personal trust, at any time means a partnership interest owned by the individual at that time if

i. throughout any 24-month period ending before that time, more than 50% of the fair market value of the property of the partnership was attributable to

(1) property that was used by the partnership or any of the persons referred to in the third paragraph, principally in the course of carrying on a fishing business in Canada in which the individual, a beneficiary referred to in subparagraph *b* of the third paragraph or the spouse, a child or the father or mother of the individual or of such a beneficiary was actively engaged on a regular and continuous basis,

(2) shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph 4,

(3) a partnership interest in or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph 4, or

(4) property described in any of subparagraphs 1 to 3, and

ii. at that time, all or substantially all of the fair market value of the property of the partnership was attributable to property described in subparagraph 4 of subparagraph i;”;

(9) by striking out the second paragraph;

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

“For the purposes of subparagraph iv of subparagraphs *a* and *a.0.1* of the first paragraph, an incorporeal capital property is deemed to include a capital property in respect of which paragraph *b* of section 437 or subparagraph *d* of the first paragraph of section 462 applies.”;

(11) by striking out the fourth paragraph;

(12) by replacing “subparagraph *a.3*” in the portion of the fifth paragraph before subparagraph *a* by “subparagraph 1 of subparagraph *i* of subparagraphs *a.3* and *a.4*”;

(13) by replacing subparagraph *d* of the fifth paragraph by the following subparagraph:

“(d) a corporation, a share of the capital stock of which is a share of the capital stock of a family farm corporation or a share of the capital stock of a family fishing corporation of the individual, of a beneficiary referred to in subparagraph *b* or the spouse, a child or the father or mother of the individual or of such a beneficiary; or”;

(14) by adding the following subparagraph after subparagraph *d* of the fifth paragraph:

“(e) a partnership, an interest in which is an interest in a family farm partnership or an interest in a family fishing partnership of the individual, of a beneficiary referred to in subparagraph *b* or the spouse, a child or the father or mother of the individual or of such a beneficiary.”

(2) Subsection 1 applies in respect of the disposition of a property that occurs after 1 May 2006.

74. (1) Section 726.6.1 of the Act is amended, in the first paragraph,

(1) by inserting the following subparagraph after subparagraph 4 of subparagraph *i* of paragraph *a* of the definition of “share of the capital stock of a family farm corporation”:

“(4.1) another corporation that is related to the corporation and of which a share of the capital stock was a share of the capital stock of a family farm corporation of an individual referred to in any of subparagraphs 2 to 4, or”;

(2) by inserting the following subparagraph after subparagraph *ii* of paragraph *a* of the definition of “share of the capital stock of a family farm corporation”:

“ii.1. a partnership interest or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph *iii*, or”;

(3) by replacing “either subparagraph *i* or *ii*” in subparagraph *iii* of paragraph *a* of the definition of “share of the capital stock of a family farm corporation” by “any of subparagraphs *i* to *ii.1*”;

(4) by replacing paragraph *b* of the definition of “share of the capital stock of a family farm corporation” by the following paragraph:

“(b) at that time, all or substantially all of the fair market value of the property owned by the corporation was attributable to property described in subparagraph iii of paragraph a;”;

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

““share of the capital stock of a family fishing corporation” of an individual, other than a trust that is not a personal trust, at any time means a share of the capital stock of a corporation owned by the individual at that time if

(a) throughout any 24-month period ending before that time, more than 50% of the fair market value of the property owned by the corporation was attributable to

i. property that was used principally in the course of carrying on a fishing business in Canada in which an individual referred to in any of subparagraphs 2 to 4 was actively engaged on a regular and continuous basis by

(1) the corporation,

(2) the individual,

(3) if the individual is a personal trust, a beneficiary under the trust,

(4) the spouse, a child or the father or mother of an individual referred to in subparagraph 2 or 3,

(5) another corporation that is related to the corporation and of which a share of the capital stock was a share of the capital stock of a family fishing corporation of an individual referred to in any of subparagraphs 2 to 4, or

(6) a partnership, an interest in which was an interest in a family fishing partnership of an individual referred to in any of subparagraphs 2 to 4,

ii. shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv,

iii. a partnership interest or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph iv, or

iv. property described in any of subparagraphs i to iii; and

(b) at that time, all or substantially all of the fair market value of the property owned by the corporation was attributable to property described in subparagraph iv of paragraph a.”

(2) Paragraph 1 of subsection 1 applies in respect of the disposition of a property that occurs after 31 December 2001.

(3) Paragraphs 2 to 5 of subsection 1 apply in respect of the disposition of a property that occurs after 1 May 2006.

75. (1) The Act is amended by inserting the following sections after section 726.6.2:

“726.6.3. For the purposes of subparagraph *a* of the first paragraph of section 726.6, at any time, a property owned at that time by an individual, the individual’s spouse or a partnership, an interest in which is an interest in a family farm partnership of the individual or of the individual’s spouse will not be considered to have been used in the course of carrying on a farming business in Canada, unless

(*a*) throughout the period of at least 24 months preceding that time, the property or a property for which the property was substituted was owned by any one or more of

i. the individual or the spouse, a child or the father or mother of the individual,

ii. a partnership, an interest in which is an interest in a family farm partnership of the individual or of the individual’s spouse,

iii. if the individual is a personal trust, the individual from whom the trust acquired the property or the spouse, a child or the father or mother of the individual, or

iv. a personal trust from which the individual or a child or the father or mother of the individual acquired the property;

(*b*) if subparagraph *c* does not apply, either

i. in at least two years while the property was owned by one or more persons referred to in subparagraph *a*, the property was used principally in a farming business carried on in Canada in which an individual referred to in subparagraph *a*, or if the individual is a personal trust, a beneficiary under the trust, was actively engaged on a regular and continuous basis, and the gross revenue of a person referred to in subparagraph *a*, in this subparagraph i referred to as the “operator”, from such a business for the period during which the property was owned by a person referred to in subparagraph *a* exceeded the income of the operator from all other sources for that period, or

ii. throughout a period of at least 24 months while the property was owned by one or more persons or partnerships referred to in subparagraph *a*, the property was used by a corporation described in subparagraph 4 of subparagraph i of subparagraph *a* of the first paragraph of section 726.6 or by a partnership described in subparagraph 5 of that subparagraph i in a farming business in which an individual described in any of subparagraphs 1 to 3 of that subparagraph i was actively engaged on a regular and continuous basis; and

(c) if the property or a property for which the property was substituted was last acquired by the individual or a partnership before 18 June 1987 or after 17 June 1987 under an agreement in writing entered into before that date,

i. in the year the property was disposed of by the individual, the property was used principally in the course of carrying on a farming business in Canada by

(1) the individual or the spouse, a child or the father or mother of the individual,

(2) a beneficiary described in subparagraph 2 of subparagraph i of subparagraph *a* of the first paragraph of section 726.6, or the spouse, a child or the father or mother of that beneficiary,

(3) a corporation described in subparagraph 4 of subparagraph i of subparagraph *a* of the first paragraph of section 726.6,

(4) a partnership described in subparagraph 5 of subparagraph i of subparagraph *a* of the first paragraph of section 726.6, or

(5) a personal trust from which the individual acquired the property, or

ii. in at least five years during which the property was owned by any of the persons or partnerships described in subparagraph i, the property was used principally in the course of carrying on a farming business in Canada by any of those persons or partnerships.

If, at any time, a qualified farm property is encumbered with a real servitude, the incorporeal capital property that results from the establishment of that servitude is considered, at that time, to have been used in the course of carrying on a farming business in Canada only if the qualified farm property so encumbered satisfies the conditions set out in subparagraphs *a* to *c* of the first paragraph.

“726.6.4. For the purposes of subparagraph *a.0.1* of the first paragraph of section 726.6, at any time, a property owned at that time by an individual, the individual’s spouse or a partnership, an interest in which is an interest in a family fishing partnership of the individual or of the individual’s spouse will not be considered to have been used in the course of carrying on a fishing business in Canada, unless

(a) throughout the period of at least 24 months preceding that time, the property or a property for which the property was substituted was owned by any one or more of

i. the individual or the spouse, a child or the father or mother of the individual,

ii. a partnership, an interest in which is an interest in a family fishing partnership of the individual or of the individual's spouse,

iii. if the individual is a personal trust, the individual from whom the trust acquired the property or the spouse, a child or the father or mother of the individual, or

iv. a personal trust from which the individual or a child or the father or mother of the individual acquired the property; and

(b) either

i. in at least two years while the property was owned by one or more persons referred to in subparagraph *a*, the property was used principally in a fishing business carried on in Canada in which an individual referred to in subparagraph *a*, or if the individual is a personal trust, a beneficiary under the trust, was actively engaged on a regular and continuous basis, and the gross revenue of a person referred to in subparagraph *a*, in this subparagraph i referred to as the "operator", from such a business for the period during which the property was owned by a person referred to in subparagraph *a* exceeded the income of the operator from all other sources for that period, or

ii. throughout a period of at least 24 months while the property was owned by one or more persons or partnerships referred to in subparagraph *a*, the property was used by a corporation described in subparagraph 4 of subparagraph i of subparagraph *a.0.1* of the first paragraph of section 726.6 or by a partnership described in subparagraph 5 of that subparagraph i in a fishing business in which an individual described in any of subparagraphs 1 to 3 of that subparagraph i was actively engaged on a regular and continuous basis.

If, at any time, a qualified fishing property is encumbered with a real servitude, the incorporeal capital property that results from the establishment of that servitude is considered, at that time, to have been used in the course of carrying on a fishing business in Canada only if the qualified fishing property so encumbered satisfies the conditions set out in subparagraphs *a* and *b* of the first paragraph."

(2) Subsection 1 applies in respect of the disposition of a property that occurs after 1 May 2006.

76. (1) Section 726.7 of the Act is amended, in the first paragraph,

(1) by replacing "may" and "such amount as he may claim not exceeding" in the portion before subparagraph *a* by "shall" and "an amount equal to", respectively;

(2) by replacing "qualified farm properties disposed of by the individual after 31 December 1984 otherwise, where the year is the taxation year 1994 or

1995, than because of an election made under section 726.9.2” in subparagraph *d* by “qualified farm properties of the individual disposed of after 17 June 1987”;

(3) by adding the following subparagraph after subparagraph *d*:

“(e) the amount that is allowed as a deduction in computing the individual’s taxable income for the year for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under section 110.6 of that Act, in respect of qualified farm properties or, if the amount that is so allowed as a deduction is equal to the maximum amount that the individual may claim as a deduction in that computation under that section in respect of such properties, the amount that the individual specifies and that is not less than that maximum amount.”

(2) Paragraphs 1 and 3 of subsection 1 apply in respect of the disposition of qualified farm properties in relation to which an individual claims as a deduction, after 19 December 2006, an amount under section 110.6 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or under section 726.7 of the Taxation Act.

(3) Paragraph 2 of subsection 1 applies to a taxation year that ends after 1 May 2006.

77. (1) Section 726.7.1 of the Act is amended

(1) by replacing “may” and “such amount as he may claim not exceeding” in the portion before paragraph *a* by “shall” and “an amount equal to”, respectively;

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

“(d) the amount that would be determined in respect of the individual for the year under paragraph *b* of section 28, to the extent that the amount is not included in determining the amount in respect of the individual under subparagraph *d* of the first paragraph of section 726.7 or paragraph *d* of section 726.7.2, in respect of capital gains and capital losses if the only properties referred to in paragraph *b* of section 28 were qualified small business corporation shares of the individual disposed of after 17 June 1987; and”;

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

“(e) the amount that is allowed as a deduction in computing the individual’s taxable income for the year for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under section 110.6 of that Act, in respect of qualified small business corporation shares or, if the amount that is so allowed as a deduction is equal to the maximum amount that the individual may claim as a deduction in that computation under that section

in respect of such shares, the amount that the individual specifies and that is not less than that maximum amount.”

(2) Paragraphs 1 and 3 of subsection 1 apply in respect of the disposition of qualified small business corporation shares in relation to which an individual claims as a deduction, after 19 December 2006, an amount under section 110.6 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or under section 726.7.1 of the Taxation Act.

(3) Paragraph 2 of subsection 1 applies to a taxation year that ends after 1 May 2006.

78. (1) Section 726.7.2 of the Act is amended

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

“726.7.2. An individual other than a trust shall deduct, in computing the individual’s taxable income for a taxation year, if the individual was resident in Canada throughout the year and disposed in the year or a preceding taxation year and after 10 December 2002 of a property that was, at the time of the disposition, a qualified fishing property of the individual, an amount equal to the least of”;

(2) by replacing “qualified fishing property disposed of by the individual” in paragraph *d* by “qualified fishing property of the individual disposed of”;

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

“(e) the amount that is allowed as a deduction in computing the individual’s taxable income for the year for the purposes of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) under section 110.6 of that Act, in respect of qualified fishing properties or, if the amount that is so allowed as a deduction is equal to the maximum amount that the individual may claim as a deduction in that computation under that section in respect of such properties, the amount that the individual specifies and that is not less than that maximum amount.”

(2) Paragraphs 1 and 2 of subsection 1 apply to a taxation year that ends after 1 May 2006. However, when the portion of section 726.7.2 of the Act before paragraph *a* applies in respect of the disposition of qualified fishing properties in relation to which an individual claims as a deduction, before 20 December 2006, an amount under section 110.6 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) or under section 726.7.2 of the Taxation Act, it reads as follows:

“726.7.2. An individual other than a trust may deduct, in computing the individual’s taxable income for a taxation year, if the individual was resident in Canada throughout the year and disposed in the year or a preceding taxation year and after 10 December 2002 of a property that was, at the time of

the disposition, a qualified fishing property of the individual, such amount as the individual may claim not exceeding the least of”.

(3) Paragraph 3 of subsection 1 applies in respect of the disposition of qualified fishing properties in relation to which an individual claims as a deduction, after 19 December 2006, an amount under section 110.6 of the Income Tax Act or under section 726.7.2 of the Taxation Act.

79. (1) Sections 726.11 and 726.12 of the Act are replaced by the following sections:

“726.11. Despite sections 726.7 to 726.7.2, no amount may be deducted under this Title in respect of the capital gain of an individual for a particular taxation year in computing the individual’s taxable income for the particular year, if the individual knowingly or under circumstances amounting to gross negligence,

(a) fails to file the individual’s fiscal return for the particular year within one year after the individual’s filing-due date for the particular year; or

(b) fails to report the capital gain in the fiscal return the individual was required to file for the particular year under section 1000.

“726.12. For the purposes of section 726.11, the Minister establishes the facts justifying that the individual may not make a deduction under this Title.”

(2) Subsection 1 applies to a taxation year that ends after 1 May 2006.

80. (1) Section 726.13 of the Act is amended by replacing the portion before paragraph *a* by the following:

“726.13. Despite sections 726.7 to 726.7.2, no amount may be deducted under this Title in computing an individual’s taxable income for a taxation year in respect of a capital gain of the individual for the year, if the capital gain is from the disposition of a property, which disposition is part of a series of transactions or events”.

(2) Subsection 1 applies to a taxation year that ends after 1 May 2006.

81. (1) Section 726.14 of the Act is amended by replacing “Notwithstanding sections 726.7 and 726.7.1” by “Despite sections 726.7 to 726.7.2”.

(2) Subsection 1 applies to a taxation year that ends after 1 May 2006.

82. (1) Section 726.19 of the Act is amended by replacing subparagraph *b* of the first paragraph by the following subparagraph:

“(b) the amount that would be determined in respect of the trust for the year under paragraph *b* of section 28 in respect of capital gains and capital losses if the only properties referred to in that paragraph were qualified farm properties disposed of by it after 31 December 1984, qualified small business corporation shares disposed of by it after 17 June 1987 and qualified fishing properties disposed of by it after 1 May 2006; and”.

(2) Subsection 1 applies to a taxation year that ends after 1 May 2006.

83. Section 726.20.1 of the Act is amended, in the first paragraph,

(1) by replacing “des paragraphes *a* ou *b*” in the portion of paragraph *c* of the definition of “bien relatif aux ressources” before subparagraph *i* in the French text by “de l’un des paragraphes *a* et *b*”;

(2) by replacing subparagraph *ii* of paragraph *c* of the definition of “resource property” by the following subparagraph:

“*ii.* the individual has elected, in a letter enclosed with the fiscal return the individual is required to file under section 1000 for the taxation year in which the substitution occurred and containing a description of the other property and the circumstances in which the new property was acquired, on or before the individual’s filing-due date for that taxation year, to consider the new property as being a resource property of the individual under this paragraph; and”;

(3) by adding the following paragraph after paragraph *c* of the definition of “resource property”:

“(d) a property, in this paragraph referred to as the “new property”, substituted for another property that was a resource property of the partnership under paragraph *a* or *b*, where

i. the new property was then acquired by the partnership through a transaction in respect of which an election referred to in section 529 was made, and

ii. each individual who is a member of the partnership has elected, in a letter enclosed with the fiscal return the individual is required to file under section 1000 for the individual’s taxation year in which ends the fiscal period of the partnership in which the substitution occurred and containing a description of the other property and the circumstances in which the new property was acquired, on or before the individual’s filing-due date for that taxation year, to consider the new property as being a resource property of the partnership under this paragraph.”;

(4) by adding the following subparagraph after subparagraph *iii* of paragraph *a* of the definition of “eligible taxable capital gain amount”:

“iv. where the particular property was owned by a particular partnership of which the individual is a member, whether directly or indirectly through another partnership, immediately before the disposition and was a property referred to in paragraph *d* of the definition of “resource property” in respect of the individual that was substituted for another property that was a flow-through share or an interest in a partnership, the amount that may reasonably be considered to be the individual’s share of the amount by which the cost to the partnership of the other property, determined without reference, where applicable, to section 419.0.1, exceeds the aggregate of the adjusted cost base to the partnership of the other property immediately before the substitution and the capital gain, if any, of the partnership from the disposition of the other property at the time of the substitution;”.

84. (1) Section 737.22.0.1 of the Act is amended, in the first paragraph,

(1) by striking out “of the first paragraph” in paragraph *b* of the definition of “eligible activity”;

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

“(a) a corporation that would be an exempt corporation within the meaning of sections 771.12 and 771.13 for that year if section 771.12 were read without reference to paragraph *e* and paragraph *d* were replaced by the following paragraph:

“(d) the year is comprised in whole or in part in the corporation’s eligibility period within the meaning assigned by section 1029.8.36.0.17, without reference to the sixth paragraph, if the definition of “eligibility period” in the first paragraph of that section applies for the purpose of determining the amount referred to in paragraph *a* of that definition.”;

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

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

85. Section 752.0.8 of the Act is amended

(1) by replacing “réfère le sous-paragraphe ii du paragraphe *a* de l’article 752.0.7.4” and “réfère le sous-paragraphe ii du paragraphe *b* de cet article” in the portion before paragraph *a* in the French text by “le sous-paragraphe ii du paragraphe *a* de l’article 752.0.7.4 fait référence” and “le sous-paragraphe ii du paragraphe *b* de cet article fait référence”, respectively;

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

“v. a payment described in subparagraph *v* of paragraph *k* of subsection 2 of section 147 in the English text of the Income Tax Act, or”.

36. (1) Section 771.1 of the Act is amended

(1) by replacing “the Minister of Finance” in the definition of “biotechnology development centre” in the first paragraph by “Investissement Québec”;

(2) by replacing the definition of “eligibility period” in the first paragraph by the following definition:

““eligibility period” of a corporation means the five-year period that begins on the day of coming into force of the certificate referred to in paragraph *a* of section 771.12 that was issued in its respect or, if it is later, on the corporation’s eligibility date, unless the corporation ceases to be an exempt corporation,

(*a*) at the beginning of a particular taxation year following an acquisition of control referred to in subparagraph *f* of the first paragraph of section 771.13 that occurred in the preceding taxation year and before the end of the five-year period, in which case “eligibility period” means the part of the five-year period that ends immediately before the acquisition of control;

(*b*) at the beginning of a particular taxation year following an election by the corporation under subparagraph *g* of the first paragraph of section 771.13 to become a specified corporation from a particular day of the preceding taxation year and before the end of the five-year period, in which case “eligibility period” means the part of the five-year period that ends the day before that particular day; or

(*c*) in a particular taxation year, other than the one referred to in paragraph *a* or *b*, and before the end of the five-year period, in which case “eligibility period” means the part of the five-year period that ends on the last day of the taxation year preceding the particular year;”;

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

““specified corporation” has the meaning assigned by section 1029.8.36.0.17;”;

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

“Despite the definition of “eligibility period” in the first paragraph, the eligibility period of a corporation does not include any day in a taxation year for which the corporation is authorized by Investissement Québec to carry on its business outside the information technology development centre, the new economy centre or the biotechnology development centre that is mentioned in the certificate referred to in paragraph *a* of section 771.12, if, during that day, none of the activities of its business are carried on in Québec.”

(2) Paragraph 1 of subsection 1 applies in respect of the designation of a building after 23 March 2006.

(3) Paragraphs 2 and 3 of subsection 1 have effect from 12 June 2003.

(4) Paragraph 4 of subsection 1 applies to a taxation year that begins after 20 December 2001.

87. (1) Section 771.8.5 of the Act is amended by replacing subparagraph i of subparagraph *a* of the second paragraph by the following subparagraph:

“i. if the corporation’s taxation year includes the first or the last day of its eligibility period, or if a part of the year is excluded from its eligibility period because of the application of the fourth paragraph of section 771.1, the proportion that the number of days in the year that are included in the corporation’s eligibility period is of the number of days in the year, and”.

(2) Subsection 1 has effect from 12 June 2003.

(3) In addition, when the second paragraph of section 771.8.5 of the Act applies before 12 June 2003 and to a taxation year that begins after 20 December 2001, it reads as follows:

“However, where the corporation’s taxation year includes the last day of its eligibility period, or if a part of that year is excluded from its eligibility period because of the application of the fourth paragraph of section 771.1, the first paragraph shall be read with the words “is the lesser of”, in the portion before subparagraph *a* thereof, replaced by the words “is such proportion of the lesser of the following amounts as the number of days in the year that are included in the eligibility period of the corporation is of the number of days in the year:”.

88. (1) Section 771.13 of the Act is amended

(1) by adding the following paragraphs after paragraph *e*:

“(f) at any time in a preceding taxation year, but after 11 June 2003, control of a specified corporation is acquired by the corporation, by a person or a group of persons that controls it or by a group of persons each member of which is an exempt corporation, a specified corporation or a person who, alone or together with other members of the group, controls an exempt corporation or a specified corporation, and of which group the corporation is part as a member or as a corporation that is controlled by one or more members of the group, unless

i. the acquisition of control

(1) occurs before 1 July 2004 and Investissement Québec certifies that the acquisition of control results from a transaction that was sufficiently advanced on 11 June 2003 and was binding on the parties on that date,

(2) derives from the exercise after 11 June 2003 of one or more rights described in paragraph *b* of section 20 that were acquired before 12 June 2003, or

(3) derives from the performance after 11 June 2003 of one or more obligations described in the third paragraph of section 21.3.5 that were contracted before 12 June 2003, or

ii. the corporation or, if control is acquired by a group, another exempt corporation that is a member of the group or is controlled by one or more of its members, notifies Investissement Québec of the acquisition of control and of its election to maintain its status as an exempt corporation despite this subparagraph *f*; and

“(g) for a preceding taxation year, the corporation has obtained, from Investissement Québec, a certificate referred to in paragraph *c* of the definition of “specified corporation” in the first paragraph of section 1029.8.36.0.17, after the corporation elected to become a specified corporation from a particular day of that preceding year that is not before 12 June 2003 and in respect of which the date of coming into force of the certificate is a proof.”;

(2) by adding the following paragraphs:

“Subparagraph *f* of the first paragraph does not apply to a particular corporation if control of the specified corporation is acquired by a person or a group of persons that controls the particular corporation or by a group of persons of which group the particular corporation is part as a corporation that is controlled by one or more members of the group and the person, group of persons or members also control another specified corporation.

“In addition, subparagraph *f* of the first paragraph does not apply if the specified corporation whose control is acquired carries on or may carry on its business in a biotechnology development centre and the acquisition of control occurs after 30 March 2004.

“For the purpose of determining whether a corporation is an exempt corporation for the taxation year in which the acquisition of control described in subparagraph *f* of the first paragraph occurs or in which the election made under subparagraph *g* of that paragraph becomes effective, no reference is to be made to

(a) subparagraphs *a* to *e* of the first paragraph for the part of that year that begins, as the case may be, at the time of the acquisition of control or on the day on which the election becomes effective; and

(b) the revocation of the certificate referred to in paragraph *a* of section 771.12, if the date on which it becomes effective is included in the part of the year referred to in subparagraph *a*.”

(2) Subsection 1 has effect from 12 June 2003. However, when section 771.13 of the Act applies before 31 March 2004, it reads without reference to its third paragraph.

89. (1) Section 772.2 of the Act is amended by replacing “776.1.6” in the definition of “tax otherwise payable” by “776.1.18”.

(2) Subsection 1 applies to a taxation year that ends after 22 March 2006.

90. (1) Section 776.1.5.0.17 of the Act is amended by replacing paragraph *a* by the following paragraph:

“(a) 40% of the aggregate of all amounts each of which is the salary or wages of the individual for the year from any eligible employment in respect of which the individual is an eligible individual for the year;”.

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

91. (1) Section 776.1.5.0.18 of the Act is amended by replacing the first paragraph by the following paragraph:

“**776.1.5.0.18.** An individual who, at the end of 31 December of a taxation year, is resident in Québec outside an eligible region and who receives in the taxation year a salary or wages attributable to duties performed, in the preceding taxation year, in the course of an eligible employment, may deduct from the individual’s tax otherwise payable for the year an amount equal to the amount by which the amount that the individual could have deducted from the individual’s tax otherwise payable for the preceding taxation year, under section 776.1.5.0.17, if the salary or wages had been received in the preceding taxation year, exceeds the amount that the individual has deducted from the individual’s tax otherwise payable for the preceding taxation year under section 776.1.5.0.17.”

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

92. (1) The Act is amended by inserting the following after section 776.1.6:

“TITLE III.3

“TAX CREDIT FOR THE HIRING OF FINANCIAL DERIVATIVES SPECIALISTS

“**776.1.7.** In this Title,

“eligibility period” applicable to an individual for a taxation year in relation to a corporation means the part of the taxation year within both the period for which the qualification certificate issued to the corporation in respect of the individual is valid and the period for which the annual qualification certificate

referred to in the definition of “eligible specialist” was issued to the corporation in respect of the individual in relation to the taxation year;

“eligible specialist” of a corporation for a taxation year means an individual in respect of whom the Minister of Finance has, for the purposes of this Title, issued to the corporation a qualification certificate and an annual qualification certificate for all or part of the taxation year;

“excluded corporation” means

(a) a corporation that is exempt from tax under Book VIII, other than an insurer referred to in paragraph *k* of section 998 that is not so exempt from tax on all of its taxable income because of section 999.0.1; or

(b) a corporation that would be exempt from tax under section 985, but for section 192;

“government assistance” means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, tax deduction, investment allowance or as any other form of assistance, except a deduction under this Title in computing tax payable under this Part;

“non-government assistance” means an amount that would be included in computing a taxpayer’s income because of paragraph *w* of section 87, if that paragraph were read without reference to its subparagraphs ii and iii, except a deduction under this Title in computing tax payable under this Part;

“qualification certificate” in respect of an individual means a certificate that the Minister of Finance issues to a corporation after 23 March 2006 and before 1 January 2010, and that certifies that the individual qualifies as a financial derivatives specialist for the purposes of this Title;

“qualified corporation” means a corporation, other than an excluded corporation, that carries on a business in Québec and has an establishment in Québec;

“qualified wages” paid by a corporation to an individual for a taxation year means the lesser of

(a) the amount obtained by multiplying \$75,000 by the proportion, not exceeding 1, that the number of weeks ending in the eligibility period applicable to the individual for the taxation year in relation to the corporation and for which the corporation paid the individual an amount as wages is of 52; and

(b) the amount by which the aggregate of all amounts each of which is an amount paid by the corporation to the individual as wages for a week ending in the eligibility period applicable to the individual for the taxation year in relation to the corporation, exceeds the aggregate of all amounts each of which is

i. the amount of any government assistance or non-government assistance attributable to such wages that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation's filing-due date for that taxation year, or

ii. the amount of any benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to the individual's employment with the corporation as an eligible specialist, that 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 taxation year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property or in any other form or manner;

“unused portion of the tax credit” of a corporation for a taxation year means the amount by which the maximum amount that the corporation could deduct under section 776.1.8 for the taxation year if it had sufficient tax payable under this Part for that taxation year exceeds the tax payable by the corporation for the taxation year under this Part, determined before the application of that section and of the second paragraph of section 776.1.9;

“wages” means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of “qualified wages” in the first paragraph, a week ending in the eligibility period applicable to an individual for a taxation year in relation to a corporation is deemed not to be such a week if

(a) the corporation is not a qualified corporation at any time during that week;

(b) the individual is a specified shareholder of the corporation at any time during that week; or

(c) an amount paid by the corporation to the individual as wages for that week

i. represents all or part of an expenditure taken into account in computing the amount used as a basis for computing an amount that the corporation is deemed under Chapter III.1 of Title III of Book IX to have paid to the Minister for a taxation year, or deemed under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5) to have overpaid to the Minister, or

ii. is paid in circumstances such that

(1) it may reasonably be considered that all or a portion of a consideration paid or payable by a person or partnership under a particular contract relates to any given expenditure in respect of which the person or a member of the

partnership may, for a taxation year, be deemed to have paid an amount to the Minister under Chapter III.1 of Title III of Book IX, and

(2) the amount paid as wages was incurred in the performance of the particular contract or of any contract derived from it and may reasonably be considered as relating to the given expenditure.

“776.1.8. A corporation that, in a taxation year ending after 23 March 2006, employs an individual as an eligible specialist and that, on or before the day that is 12 months after the corporation’s filing-due date for that taxation year, encloses the documents described in the second paragraph with the fiscal return it is required to file under section 1000 for that taxation year, may deduct from its tax payable under this Part for that taxation year, determined before the application of this section and of the second paragraph of section 776.1.9, an amount equal to 20% of the aggregate of all amounts each of which corresponds to the qualified wages paid by the corporation to such an individual for the taxation year.

The documents to which the first paragraph refers are the following:

- (a) the prescribed form containing the prescribed information;
- (b) a copy of the qualification certificate issued to the corporation in respect of each individual referred to in the first paragraph; and
- (c) a copy of the annual qualification certificate issued for the purposes of this Title to the corporation by the Minister of Finance for all or part of the taxation year in respect of each individual referred to in the first paragraph.

“776.1.9. A corporation may deduct from its tax payable under this Part for a taxation year, determined before the application of this Title, the unused portions of the tax credit of the corporation for the ten taxation years that precede that taxation year.

Similarly, a corporation may deduct from its tax payable under this Part for a taxation year, determined before the application of this paragraph, the unused portions of the tax credit of the corporation for the three taxation years that follow that taxation year.

“776.1.10. No amount is deductible under section 776.1.9 in respect of an unused portion of the tax credit for a taxation year until the unused portions of the tax credit for the preceding taxation years that are deductible have been deducted.

In addition, an unused portion of the tax credit may be deducted for a taxation year under section 776.1.9 only to the extent that it exceeds the aggregate of the amounts deducted in its respect for the preceding taxation years under that section.

“776.1.11. Subject to sections 1010 to 1011 and for the purposes of this Title, when the Minister of Finance replaces or revokes a qualification certificate or an annual qualification certificate issued by the Minister of Finance to a corporation in respect of an individual for the purposes of this Title, the following rules apply:

(a) a qualification certificate or annual qualification certificate that is replaced is null from the time it was issued and the new qualification certificate or annual qualification certificate is deemed to have been issued at that time; and

(b) a qualification certificate or annual qualification certificate that is revoked is null from the time the revocation becomes effective.

The qualification certificate or annual qualification certificate so revoked is deemed not to have been issued as of the effective date specified in the notice of revocation.

“776.1.12. 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 776.1.9 for a taxation year ending after that time in respect of the unused portion of the tax credit of the corporation for a taxation year ending before that time.

However, the corporation may deduct an amount under section 776.1.9 for a particular taxation year ending after the time referred to in the first paragraph, in respect of the portion that may reasonably be considered to be attributable to the carrying on of a business, of the unused portion of the tax credit of the corporation for a taxation year ending before that time, if the corporation carried on the business throughout the particular taxation year for profit or with a reasonable expectation of profit.

The amount that the corporation may deduct under section 776.1.9 for the particular taxation year in respect of the portion described in the second paragraph is to be determined as if the reference in the first paragraph of that section to the tax payable under this Part for a taxation year, determined before the application of this Title, were a reference to the portion of the tax payable under this Part by the corporation for the particular taxation year, determined before the application of this Title, that may reasonably be attributed to the carrying on of the business referred to in the second paragraph and, if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before the time referred to in the first paragraph, 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.

“776.1.13. 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 776.1.9 for a taxation year ending before that time in respect of

the unused portion of the tax credit of the corporation for a taxation year ending after that time.

However, the corporation may deduct an amount under section 776.1.9 for a particular taxation year ending before the time referred to in the first paragraph, in respect of the portion that may reasonably be considered to be attributable to the carrying on of a business, of the unused portion of the tax credit of the corporation for a taxation year ending after that time, if the corporation carried on the business throughout that taxation year and in the particular taxation year for profit or with a reasonable expectation of profit.

The amount that the corporation may deduct under section 776.1.9 for the particular taxation year in respect of the portion described in the second paragraph is to be determined as if the reference in the second paragraph of that section to the tax payable under this Part for a taxation year, determined before the application of the second paragraph of that section, were a reference to the portion of the tax payable under this Part by the corporation for the particular taxation year, determined before the application of the second paragraph of that section, that may reasonably be attributed to the carrying on of the business referred to in the second paragraph and, if the corporation sold, leased, rented or developed properties or rendered services in the course of carrying on that business before the time referred to in the first paragraph, 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.

“776.1.14. For the purpose of computing the amount that a corporation may deduct under section 776.1.9 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, that unused portion of the tax credit of the corporation, otherwise determined, is to be reduced by the amount determined under the second paragraph if, in the particular taxation year or a preceding taxation year, an amount relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, other than an amount described in subparagraph i or ii of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 776.1.7, is

(a) directly or indirectly refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) obtained by a person or partnership.

The amount to which the first paragraph refers is the amount by which the maximum amount that the corporation could have deducted under section 776.1.8 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year exceeds the aggregate of

(a) the maximum amount that the corporation could have deducted under that section for the particular preceding taxation year if it had had sufficient

tax payable under this Part for that taxation year and if, for the purposes of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 776.1.7,

i. any amount referred to in the first paragraph in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is received or obtained at or before the end of the particular taxation year, had been received or obtained in the particular preceding taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.15 in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is paid or deemed to be paid under section 776.1.16 at or before the end of the particular taxation year, had been paid or deemed to be paid in the particular preceding taxation year; and

(*b*) any portion that may reasonably be considered as relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, of the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.27.16 for the particular taxation year or a preceding taxation year.

For the purpose of computing the amount that the corporation may deduct under section 776.1.9 for the particular taxation year in respect of the unused portion of the tax credit of the corporation for a taxation year other than the particular preceding taxation year, the corporation is deemed to have deducted under that section for the taxation years preceding the particular taxation year in respect of the unused portions of the tax credit of the corporation for the taxation years other than the particular preceding taxation year that are deductible for the particular taxation year, in addition to any other amount deducted or deemed to be deducted, an amount equal to the amount by which the amount determined under the second paragraph exceeds the amount by which the unused portion of the tax credit of the corporation for the particular preceding taxation year, determined before the application of this section and of section 776.1.15, exceeds the aggregate of the amounts deducted by the corporation under section 776.1.9 for the taxation years preceding the particular taxation year in respect of that unused portion of the tax credit of the corporation.

“776.1.15. For the purpose of computing the amount that a corporation may deduct under section 776.1.9 for a particular taxation year in respect of the unused portion of the tax credit of the corporation for a particular preceding taxation year, that unused portion of the tax credit of the corporation, otherwise determined, is to be increased by the amount determined under the second paragraph if, in the particular taxation year or a preceding taxation year, an amount relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, described in subparagraph i or ii of paragraph *b* of the definition of “qualified

wages” in the first paragraph of section 776.1.7 or in subparagraph *a* or *b* of the first paragraph of section 776.1.14, is, pursuant to a legal obligation,

(a) paid by the corporation, and may reasonably be considered as the repayment of an amount attributable to the qualified wages that is referred to in that subparagraph *i* or that subparagraph *a*; or

(b) paid by a person or partnership, and may reasonably be considered as the repayment of an amount attributable to the qualified wages that is referred to in that subparagraph *ii* or subparagraph *b* of the first paragraph of section 776.1.14.

The amount to which the first paragraph refers is the amount by which the maximum amount that the corporation could have deducted under section 776.1.8 for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year is exceeded by the aggregate of

(a) the maximum amount that the corporation could have deducted under that section for the particular preceding taxation year if it had had sufficient tax payable under this Part for that taxation year and if, for the purposes of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 776.1.7,

i. any amount referred to in the first paragraph in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is paid at or before the end of the particular taxation year had been paid in the particular preceding taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.14 in relation to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year that is received or obtained at or before the end of the particular taxation year, had been received or obtained in the particular preceding taxation year; and

(b) any portion that may reasonably be considered as relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular preceding taxation year, of the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under section 1129.27.16 for a taxation year preceding the particular taxation year.

For the purpose of computing the amount that the corporation may deduct under section 776.1.9 for the particular taxation year in respect of the unused portion of the tax credit of the corporation for a taxation year other than the particular preceding taxation year, the corporation shall also take into account the amount by which the unused portion of the tax credit of the corporation for the particular preceding taxation year is to be increased under the first paragraph.

“776.1.16. For the purposes of section 776.1.15, an amount attributable to qualified wages paid by a corporation to an individual for a preceding taxation year, described in subparagraph i or ii of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 776.1.7, is deemed to be repaid by a corporation, person or partnership, as the case may be, in a particular taxation year, pursuant to a legal obligation, if that amount

(a) is described in that subparagraph i or ii in relation to those qualified wages;

(b) in the case of an amount described in that subparagraph i, was not received by the corporation;

(c) in the case of an amount described in that subparagraph ii, was not obtained by the person or partnership; and

(d) ceased, in the particular taxation year, to be an amount that the corporation, person or partnership may reasonably expect to receive or obtain.

“776.1.17. For the purposes of this Part, an amount deducted by a corporation under this Title in computing its tax payable under this Part for a preceding taxation year in respect of an expenditure made in a taxation year preceding a particular taxation year is to be considered as received by the corporation in the particular taxation year, to the extent that the amount is not considered, under this section, as received by the corporation in a taxation year preceding the particular taxation year.

“776.1.18. Sections 1029.6.0.1.7 and 1029.6.0.1.8 apply to this Title, with the necessary modifications.”

(2) Subsection 1 applies to a taxation year that ends after 22 March 2006.

93. (1) Section 776.54.1 of the Act is amended

(1) by replacing “section 726.1, 726.3 or 726.4 shall” in the portion before paragraph *a* by “any of sections 726.1, 726.3, 726.4 and 726.4.0.1 is to”;

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

“(d) in the case of section 726.4.0.1, to the aggregate of all amounts each of which is equal to the amount otherwise deducted by the individual for the year, under section 726.4.0.1, in respect of a qualifying share or qualifying security, within the meaning of the first paragraph of section 965.55, that exceeds its cost to the individual.”

(2) Subsection 1 has effect from 22 April 2005.

94. (1) Section 965.55 of the Act is amended, in the first paragraph,

(1) by replacing “an unincorporated mutual fund or a mutual fund” in the definition of “dealer” by “a mutual fund”;

(2) by replacing “under the Act respecting income support, employment assistance and social solidarity (chapter S-32.001)” in the definition of “total income” by “under the Individual and Family Assistance Act (2005, chapter 15)”.

(2) Paragraph 1 of subsection 1 has effect from 14 December 2006.

(3) Paragraph 2 of subsection 1 applies from the taxation year 2007.

95. (1) Section 965.94 of the Act is amended by replacing “last consolidated statement of earnings” in subparagraph *d* of the first paragraph by “last consolidated financial statements”.

(2) Subsection 1 applies in respect of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 23 March 2006.

96. (1) Section 965.96 of the Act is replaced by the following section:

“**965.96.** For the purposes of paragraph *c* of section 965.90, if a corporation results from an amalgamation within the meaning of section 544, the requirement relating to the percentage of the wages paid to the employees of the corporation, in its last taxation year ended before the date of the receipt for the final prospectus or of the exemption from filing a prospectus, is to be replaced by the requirement that more than one-half of the wages paid by a predecessor corporation, in its last taxation year ended immediately before the amalgamation, to its employees, within the meaning of the regulations under section 771, were paid to employees of an establishment situated in Québec.

For the purposes of paragraph *d* of section 965.90, if a corporation results from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed between the time of the amalgamation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement relating to the number of employees set out in that paragraph is to be replaced by the requirement that that corporation have, throughout the period from the time of the amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders and for one of the predecessor corporations to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of that Act nor persons related to such insiders throughout the part of the 12-month period ending on the date of the receipt for the final prospectus or of the exemption from filing a prospectus that precedes the time of the amalgamation.

For the purposes of the second paragraph, a predecessor corporation is deemed to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act nor persons related to such insiders, if

(a) a class of shares of its capital stock is listed on a Canadian stock exchange throughout the part of the period described in the second paragraph; and

(b) a person, other than such an insider or a person related to such an insider, or a partnership provides the predecessor corporation, in the part of the period referred to in subparagraph *a*, with services under a service contract and that predecessor corporation would normally have required the services of more than five full-time employees if those services had not been provided.

The rules of the second and third paragraphs apply, with the necessary modifications, to the requirement relating to the carrying on of a business set out in paragraph *d* of section 965.90.”

(2) Subsection 1 has effect from 22 April 2005.

97. (1) Section 965.97 of the Act is amended by replacing the first paragraph by the following paragraph:

“**965.97.** For the purposes of section 965.96, if a predecessor corporation referred to in that section is itself a corporation resulting from an amalgamation within the meaning of section 544, in this section referred to as the “original amalgamation”, and a period of at least 12 months has not elapsed between the time of the original amalgamation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement in its respect concerning the number of employees, for the part of the period described in the second paragraph of section 965.96, is to be replaced by the requirement that that corporation have had, throughout the part of that period between the time of the original amalgamation and the time of the amalgamation referred to in the second paragraph of section 965.96, not fewer than five full-time employees who are neither insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) nor persons related to such insiders and for one of the predecessor corporations that were replaced by the original amalgamation to have had not fewer than five full-time employees who are neither insiders within the meaning of section 89 of that Act nor persons related to such insiders throughout the part of the part of the period described in the second paragraph of section 965.96 within the 12-month period that ends on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) Subsection 1 has effect from 22 April 2005.

98. (1) Title VIII of Book VII of Part I of the Act is repealed.

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

99. (1) Section 1012.1 of the Act is amended by inserting the following paragraph after paragraph *d.1*:

“(d.1.0.0.1) section 776.1.9 in respect of the unused portion of the tax credit, within the meaning of section 776.1.7, for a subsequent taxation year;”.

(2) Subsection 1 applies to a taxation year that ends after 22 March 2006.

100. (1) Section 1015 of the Act is amended by striking out subparagraph *o* of the second paragraph.

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

101. (1) Section 1029.6.0.0.1 of the Act is amended

(1) by inserting “II.6.4.2,” before “II.6.5.1” in the portion of the second paragraph before subparagraph *a*;

(2) by inserting “II.6.4.2,” after “II.6.0.7,” in subparagraph *b* of the second paragraph;

(3) by striking out subparagraph *g* of the second paragraph;

(4) by replacing “sound recording” in the third paragraph by “property”.

(2) Paragraphs 1, 2 and 4 of subsection 1 have effect from 24 March 2006.

102. (1) Section 1029.6.0.1 of the Act is amended by inserting “II.6.4.2,” after “II.6.2,” in paragraphs *a* and *b*.

(2) Subsection 1 has effect from 24 March 2006.

103. (1) Section 1029.6.0.1.2 of the Act is amended by adding the following paragraph:

“For the purposes of the first paragraph, the taxpayer is deemed to have filed with the Minister the prescribed form containing the prescribed information and, where applicable, a copy of the documents referred to in the first paragraph on or before the day that is 12 months after the taxpayer’s filing-due date for a taxation year so as to be deemed to have paid an amount to the Minister for the year under any of Divisions II to II.3.0.1, in this paragraph referred to as the “particular division”, if

(a) the taxpayer files with the Minister the prescribed form containing the prescribed information and, where applicable, a copy of the documents referred to in the first paragraph more than 12 months after that date so as to be deemed

to have paid an amount to the Minister for the year under the particular division; and

(b) the taxpayer has filed with the Minister the prescribed form containing the prescribed information and, where applicable, a copy of the documents referred to in the first paragraph on or before the day that is 12 months after that date so as to be deemed to have paid an amount to the Minister for the year under any of Divisions II to II.3.0.1 other than the particular division.”

(2) Subsection 1 applies in respect of an application filed by a taxpayer after 23 March 2006 so as to be deemed to have paid an amount to the Minister of Revenue under any of Divisions II to II.3.0.1 of Chapter III.1 of Title III of Book IX of Part I of the Act.

104. (1) Section 1029.6.0.1.2.1 of the Act is amended by inserting “II.6.4.2,” after “II.6.2,”.

(2) Subsection 1 has effect from 24 March 2006.

105. (1) Section 1029.6.0.1.2.2 of the Act is amended by inserting “II.6.4.2,” after “II.6.2,” in subparagraph i of subparagraph *a* and subparagraph *b* of the first paragraph.

(2) Subsection 1 has effect from 24 March 2006.

106. (1) Section 1029.6.0.1.2.3 of the Act is amended by inserting “II.6.4.2,” after “II.6.2,” in subparagraph *b* of the first paragraph.

(2) Subsection 1 has effect from 24 March 2006.

107. (1) Section 1029.6.0.1.2.4 of the Act amended by inserting “II.6.4.2,” after “II.6.2,” in subparagraph *a* of the first paragraph.

(2) Subsection 1 has effect from 24 March 2006.

108. (1) Section 1029.6.0.1.8 of the Act is amended

(1) by inserting “II.3.0.1,” after “II.3,”;

(2) by replacing “II.6.0.1.1” by “II.6.0.1.2”;

(3) by striking out “II.6.7 as it read before being repealed,”.

(2) Paragraph 1 of subsection 1 has effect from 24 March 2006.

109. (1) Section 1029.6.0.1.8.1 of the Act is is amended by replacing “1029.8.10 and 1029.8.11” in the portion of the second paragraph before subparagraph *b* of the first paragraph of section 1029.6.0.1.8.1, enacted by

that second paragraph, by “1029.8.10, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5”.

(2) Subsection 1 has effect from 24 March 2006.

110. (1) Section 1029.6.1 of the Act is amended

(1) by replacing the definition of “controlled corporation” by the following definition:

““controlled corporation” means

(a) a corporation that is controlled, directly or indirectly in any manner whatever, by an entity, a person or a combination of entities or persons referred to in any of paragraphs *a* to *e* of section 1029.8.5.3; or

(b) a corporation that, in the 24 months preceding the date on which a contract referred to in any of subparagraphs *b* to *i* of the first paragraph of section 1029.7 or 1029.8 is entered into or at a later time determined by the Minister, is controlled, directly or indirectly in any manner whatever, by an entity, a person or a combination of entities or persons referred to in any of paragraphs *a* to *e* of section 1029.8.5.3;”;

(2) by replacing the definition of “tax-exempt corporation” by the following definition:

““tax-exempt corporation” means a corporation that

(a) is exempt from tax under Book VIII, other than an insurer referred to in paragraph *k* of section 998 that is not so exempt from tax on its total taxable income by reason of section 999.0.1;

(b) would be exempt from tax under section 985 but for section 192; or

(c) is a controlled corporation or a corporation related to a controlled corporation;”.

(2) Subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

111. (1) Section 1029.7 of the Act is amended

(1) by replacing “undertakes scientific research and experimental development in Québec or causes scientific research and experimental development” in the portion of the first paragraph before subparagraph *a* by “undertakes scientific research and experimental development related to a business of the taxpayer, in Québec, or causes such research and development”;

(2) by replacing “relating to the research and development” in subparagraphs *d*, *d.1*, *h* and *h.1* of the first paragraph by “, relating to the research and development undertaken in any taxation year”;

(3) by inserting “undertaken in any taxation year” after “for work relating to such research and development” in subparagraphs *e* and *i* of the first paragraph;

(4) by replacing “section 1029.8.10” in subparagraph ii of subparagraph *b* of the third paragraph by “section 1029.8.10 or 1029.8.16.1.4”;

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

“v. an expenditure described in section 230.0.0.2.”;

(6) by adding the following subparagraphs after subparagraph vi of subparagraph *b* of the third paragraph:

“vii. an expenditure of a current nature incurred by or on behalf of a taxpayer in respect of the general administration or management of a business, including

(1) the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented toward the prosecution of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure,

(2) a legal or accounting fee,

(3) an amount referred to in any of sections 147, 148, 160, 161, 163, 176, 176.4 and 179,

(4) an entertainment expense,

(5) an advertising or selling expense,

(6) a conference or convention expense,

(7) a due or fee in respect of membership in a scientific or technical organization, and

(8) a fine or penalty;

“viii. an expenditure of a current nature incurred by or on behalf of a taxpayer for the maintenance and upkeep of premises, facilities or equipment to the extent that the expenditure is not attributable to the prosecution of scientific research and experimental development;

“ix. an expenditure of a capital nature incurred by or on behalf of a taxpayer to acquire property, except any such expenditure that, at the time it was incurred, was for the provision of premises, facilities or equipment if, at the time of the acquisition of the premises, facilities or equipment, it was intended

(1) that the premises, facilities or equipment would be used during all or substantially all of their operating time in their expected useful life for the prosecution of scientific research and experimental development undertaken in Canada, and

(2) that all or substantially all of the value of the premises, facilities or equipment would be consumed in the prosecution of scientific research and experimental development undertaken in Canada;

“x. an expenditure of a capital nature incurred by or on behalf of a taxpayer to acquire property if the property has been used or acquired for use or lease, for any purpose whatever, before it was acquired;

“xi. an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

“xii. an expenditure related to scientific research and experimental development in respect of which an amount is deductible under sections 710 to 716.0.3 or 752.0.10.1 to 752.0.10.18 in computing taxable income or tax payable under this Part, as the case may be;

“xiii. an expenditure of a current or capital nature, to the extent that the taxpayer having incurred it or, where applicable, the person or partnership having incurred it on the taxpayer’s behalf has received or is entitled to receive a reimbursement in respect of the expenditure from a person resident in Canada, other than

(1) the State or Her Majesty in right of Canada or a province, other than Québec,

(2) a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec,

(3) a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or a province, other than Québec, or by a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec, or

(4) a municipality in Canada or a municipal or public body performing a function of government in Canada; and

“xiv. an expenditure of a current or capital nature, to the extent that the taxpayer having incurred it or, where applicable, the person or partnership

having incurred it on the taxpayer's behalf has received or is entitled to receive a reimbursement in respect of the expenditure from a person not resident in Canada and to the extent that the reimbursement is deductible by the person in computing taxable income earned in Canada for a taxation year."

(2) Paragraph 1 of subsection 1 applies in respect of an expenditure incurred by a taxpayer after 21 April 2005 in a fiscal period of the taxpayer that begins after that date for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after 20 April 2005.

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of an expenditure incurred by a taxpayer after 23 March 2006 for scientific research and experimental development undertaken after that date.

(4) Paragraphs 4 to 6 of subsection 1 apply in respect of an expenditure incurred by a taxpayer after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

112. (1) Section 1029.7.2 of the Act is amended

(1) by replacing "\$50,000,000" in the portion of the first paragraph before the formula by "\$75,000,000";

(2) by replacing the formula in the first paragraph by the following formula:

" $37.5\% - \{[(A - \$50,000,000) \times 20\%] / \$25,000,000\}$.";

(3) by replacing "\$25,000,000" in the second paragraph by "\$50,000,000".

(2) Subsection 1 applies in respect of an expenditure incurred after 4 December 2006 for scientific research and experimental development undertaken after that date.

113. (1) Section 1029.8 of the Act is amended

(1) by replacing "undertakes scientific research and experimental development in Québec or causes scientific research and experimental development" in the portion of the first paragraph before subparagraph *a* by "undertakes scientific research and experimental development related to a business of the partnership, in Québec, or causes such research and development";

(2) by replacing "relating to the research and development" in subparagraphs *d*, *d.1*, *h* and *h.1* of the first paragraph by "relating to the research and development undertaken in any fiscal period";

(3) by inserting “undertaken in any fiscal period” after “for work relating to such research and development” in subparagraphs *e* and *i* of the first paragraph;

(4) by replacing “section 1029.8.11” in subparagraph ii of subparagraph *b* of the third paragraph by “section 1029.8.11 or 1029.8.16.1.5”;

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

“v. an expenditure described in section 230.0.0.2;”;

(6) by adding the following subparagraphs after subparagraph v of subparagraph *b* of the third paragraph:

“vi. an expenditure of a current nature incurred by or on behalf of a partnership in respect of the general administration or management of a business, including

(1) the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented toward the prosecution of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure,

(2) a legal or accounting fee,

(3) an amount referred to in any of sections 147, 148, 160, 161, 163, 176, 176.4 and 179,

(4) an entertainment expense,

(5) an advertising or selling expense,

(6) a conference or convention expense,

(7) a due or fee in respect of membership in a scientific or technical organization, and

(8) a fine or penalty;

“vii. an expenditure of a current nature incurred by or on behalf of a partnership for the maintenance and upkeep of premises, facilities or equipment to the extent that the expenditure is not attributable to the prosecution of scientific research and experimental development;

“viii. an expenditure of a capital nature to acquire property, except any such expenditure that, at the time it was incurred, was for the provision of premises, facilities or equipment if, at the time of the acquisition of the premises, facilities or equipment, it was intended

(1) that the premises, facilities or equipment would be used during all or substantially all of their operating time in their expected useful life for the prosecution of scientific research and experimental development undertaken in Canada, and

(2) that all or substantially all of the value of the premises, facilities or equipment would be consumed in the prosecution of scientific research and experimental development undertaken in Canada;

“ix. an expenditure of a capital nature incurred by or on behalf of a partnership to acquire property if the property has been used or acquired for use or lease, for any purpose whatever, before it was acquired;

“x. an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

“xi. an expenditure related to scientific research and experimental development in respect of which an amount is deductible under sections 710 to 716.0.3 or 752.0.10.1 to 752.0.10.18 in computing taxable income or tax payable under this Part, as the case may be;

“xii. an expenditure of a current or capital nature, to the extent that the partnership having incurred it or, where applicable, the person or another partnership having incurred it on the partnership’s behalf has received or is entitled to receive a reimbursement in respect of the expenditure from a person resident in Canada, other than

(1) the State or Her Majesty in right of Canada or a province, other than Québec,

(2) a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec,

(3) a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or a province, other than Québec, or by a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec, or

(4) a municipality in Canada or a municipal or public body performing a function of government in Canada; and

“xiii. an expenditure of a current or capital nature, to the extent that the partnership having incurred it or, where applicable, the person or another partnership having incurred it on the partnership’s behalf has received or is entitled to receive a reimbursement in respect of the expenditure from a person not resident in Canada and to the extent that the reimbursement is deductible by the person in computing taxable income earned in Canada for a taxation year.”

(2) Paragraph 1 of subsection 1 applies in respect of an expenditure incurred by a partnership after 21 April 2005 in a fiscal period of the partnership that begins after that date for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after 20 April 2005.

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of an expenditure incurred by a partnership after 23 March 2006 for scientific research and experimental development undertaken after that date.

(4) Paragraphs 4 to 6 of subsection 1 apply in respect of an expenditure incurred by a partnership after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

114. (1) Section 1029.8.0.0.1 of the Act is amended by replacing “produit” in the portion before paragraph *a* in the French text by “présente” and by replacing “in section 1029.6.0.1.2” in the portion before paragraph *a* by “in the first paragraph of section 1029.6.0.1.2”.

(2) Subsection 1 has effect from 24 March 2006.

115. (1) Section 1029.8.5.1 of the Act is amended

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

“**1029.8.5.1.** La dépense à laquelle le paragraphe *d.1* de l’article 1029.8.1 fait référence est l’une des dépenses suivantes:”;

(2) by replacing “incurred by a taxpayer or partnership” by “incurred by an eligible public research centre, an eligible research consortium or an eligible university entity” in the following provisions:

- the portion of paragraph *a* before subparagraph *i*;
- paragraph *b*;
- the portion of paragraph *c* before subparagraph *i*;
- paragraph *d*;

(3) by replacing “admissible en déduction” in paragraph *f* in the French text by “déductible”;

(4) by replacing “the taxpayer or partnership” in the portion of paragraph *g* before subparagraph *i* and “the taxpayer or partnership having incurred it” in paragraph *h* by “the eligible public research centre, the eligible research consortium or the eligible university entity having incurred it”;

(5) by replacing “, dans la mesure où ce remboursement est admissible en déduction” in paragraph *h* in the French text by “dans la mesure où ce remboursement est déductible”.

(2) Paragraphs 2 and 4 of subsection 1 apply in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

116. (1) Section 1029.8.5.3 of the Act is amended by replacing the portion before paragraph *a* by the following:

“1029.8.5.3. A corporation to which paragraph *j* of section 1029.8.1 refers is a corporation which, in the 24 months preceding the date on which a contract referred to in section 1029.8.6 or 1029.8.7 is entered into or at a later time determined by the Minister, is controlled, directly or indirectly in any manner whatever, by”.

(2) Subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

117. (1) Section 1029.8.9 of the Act is amended by striking out the sixth paragraph.

(2) Subsection 1 applies in respect of an application for an advance ruling filed after 23 March 2006.

118. (1) Section 1029.8.9.0.1.3 of the Act is repealed.

(2) Subsection 1 has effect from 24 March 2006.

119. (1) Section 1029.8.9.0.2.2 of the Act is amended

(1) by replacing “incurred by a taxpayer or partnership” by “incurred by an eligible research consortium” in the following provisions:

- the portion of paragraph *a* before subparagraph *i*;
- paragraph *b*;
- the portion of paragraph *c* before subparagraph *i*;
- paragraph *d*;

(2) by replacing “admissible en déduction” in paragraphs *f* and *h* in the French text by “déductible”;

(3) by replacing “the taxpayer or partnership having incurred it” by “the eligible research consortium having incurred it” in the following provisions:

- the portion of paragraph *g* before subparagraph *i*;
- paragraph *h*.

(2) Paragraphs 1 and 3 of subsection 1 apply in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

120. (1) Section 1029.8.15.1 of the Act is amended

(1) by replacing “réfère la définition de l’expression « dépense admissible » prévue à l’article 1029.8.9.1” in the portion before paragraph *a* in the French text by “la définition de l’expression « dépense admissible » prévue à l’article 1029.8.9.1 fait référence”;

(2) by replacing “incurred by a taxpayer or partnership” by “incurred by or on behalf of a taxpayer or partnership” in the following provisions:

- the portion of paragraph *a* before subparagraph *i*;
- paragraph *b*;
- the portion of paragraph *c* before subparagraph *i*;
- paragraph *d*;

(3) by replacing “admissible en déduction” in paragraph *f* in the French text by “déductible”;

(4) by inserting “or, where applicable, the person or another partnership having incurred it on behalf of the taxpayer or partnership” after “taxpayer or partnership having incurred it” in the following provisions:

- the portion of paragraph *g* before subparagraph *i*;
- paragraph *h*;

(5) by replacing “, dans la mesure où ce remboursement est admissible en déduction” in paragraph *h* in the French text by “dans la mesure où ce remboursement est déductible”.

(2) Paragraphs 2 and 4 of subsection 1 apply in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

121. (1) Section 1029.8.16 of the Act is amended by inserting the following subparagraph after subparagraph i.1 of paragraph *b*:

“i.2. if the expenditure is made after 23 March 2006, unless it is made under an agreement referred to in section 1029.8.10 or 1029.8.11 in respect of which the Minister of Economic Development, Innovation and Export Trade has issued a certificate for the purposes of this division on or before that date or received an application to obtain such a certificate on or before that date, with all the documents required to determine the taxpayer’s eligibility;”.

(2) Subsection 1 has effect from 24 March 2006.

122. (1) The Act is amended by inserting the following after section 1029.8.16.1:

“DIVISION II.3.0.1

“CREDIT FOR PRIVATE PARTNERSHIP PRE-COMPETITIVE RESEARCH

“1029.8.16.1.1. In this division,

“excluded partner” at a particular time means

(a) an eligible public research centre within the meaning of paragraph *a.1* of section 1029.8.1;

(b) an eligible research consortium within the meaning of paragraph *a.1.1* of section 1029.8.1;

(c) an eligible university entity within the meaning of paragraph *f* of section 1029.8.1;

(d) a public body;

(e) a trust one of the capital or income beneficiaries of which is an eligible university entity, an eligible public research centre, an eligible research consortium or a public body;

(f) a partnership if, in the 24 months preceding the particular time, or at a later time determined by the Minister, the members of the partnership that are referred to in any of paragraphs *a* to *e* and *g* have, directly or indirectly in any manner whatever, interests in the partnership having a fair market value, at that time, of more than 50% of the fair market value of all the members’ interests in the partnership; and

(g) a corporation that, in the 24 months preceding the particular time, or at a later time determined by the Minister, is controlled, directly or indirectly in any manner whatever, by an entity, a person or a combination of entities or persons referred to in any of paragraphs *a* to *f*;

“public body” means

(a) a government, a municipality or another public authority;

(b) a body a majority of whose members come from the Québec or federal public sector, that is, are appointed by a minister, a government, a municipality, another public authority or another public body;

(c) a body whose personnel is appointed in accordance with the Public Service Act (chapter F-3.1.1) or the Public Service Employment Act (Statutes of Canada, 2003, chapter 22);

(d) a body more than 50% of whose financing is derived from Québec or federal public funds, that is from the consolidated revenue fund or the federal treasury, a government, a municipality, another public authority or another public body;

(e) an entity designated by the Minister as a public body; and

(f) a combination of entities or bodies referred to in any of paragraphs *a* to *e*;

“qualified expenditure” means an expenditure made in respect of scientific research and experimental development by a taxpayer or partnership that is an expenditure referred to in subsection 1 of section 222 or in paragraph *a* of section 223, other than such an expenditure referred to in section 1029.8.16.1.6, and includes a prescribed proxy amount;

“overhead expenditure” means an expenditure made by or on behalf of a taxpayer or partnership for scientific research and experimental development undertaken under an agreement referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5, other than

(a) an expenditure of a current nature incurred for, and all or substantially all of which was attributable to, the lease of premises, facilities or equipment for the prosecution of scientific research and experimental development undertaken in Canada, except an expenditure for general purpose office furniture or equipment;

(b) an expenditure incurred for the prosecution of scientific research and experimental development in Canada directly undertaken on behalf of the taxpayer or partnership;

(c) an expenditure of a capital nature that at the time it was incurred was for the provision of premises, facilities or equipment, except an expenditure for general purpose office furniture or equipment, if at that time it was intended

i. that such premises, facilities or equipment would be used, during all or substantially all of their operating time in their expected useful life, for the

prosecution of scientific research and experimental development undertaken in Canada, or

ii. that all or substantially all of their value would be consumed in the prosecution of scientific research and experimental development undertaken in Canada;

(d) that portion of an expenditure incurred for the salary or wages of an employee who is directly engaged in scientific research and experimental development in Canada that may reasonably be considered to be attributable to such work having regard to the time spent by the employee on that work and, for that purpose, if all or substantially all of the employee's working time is spent on such scientific research and experimental development, that portion of the expenditure is deemed equal to the amount of the expenditure;

(e) an expenditure incurred in relation to the cost of materials consumed in the prosecution of scientific research and experimental development undertaken in Canada; and

(f) one-half of any other expenditure of a current nature incurred for the lease of premises, facilities or equipment used primarily for the prosecution of scientific research and experimental development undertaken in Canada, except an expenditure for general purpose office furniture or equipment;

“wages incurred” for scientific research and experimental development undertaken in Québec under an agreement referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5, means that portion of an expenditure incurred as salaries, wages or other remuneration, including bonuses, in respect of an individual, other than a trust, who is directly engaged in that research and development, that can reasonably be considered to relate to that research and development, having regard to the time spent by the individual on that research and development.

For the purposes of this division, the share of a member of a partnership of an amount for a fiscal period is equal to the proportion of that amount that the member'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.

“1029.8.16.1.2. In the definition of “wages incurred” in the first paragraph of section 1029.8.16.1.1 and for the purposes of section 1029.8.16.1.3, if scientific research and experimental development is undertaken under an agreement referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5 and if no expenditure is incurred as salaries, wages or other remuneration, including bonuses, to remunerate the work of an individual, other than a trust, who is directly engaged in that research and development, an amount not exceeding an amount, reasonable in the circumstances, as wages that can reasonably be considered to relate to that

work having regard to the time spent by the individual on that work, is deemed to constitute an expenditure incurred as wages under the agreement.

“1029.8.16.1.3. Subject to Division II.4, for the purposes of subparagraphs *a* and *b* of the first paragraph of sections 1029.8.16.1.4 and 1029.8.16.1.5, all or part of the amount of a qualified expenditure made in Québec by a taxpayer or partnership under an agreement referred to in the first paragraph of either of those sections that can reasonably be considered to be attributable to scientific research and experimental development undertaken in Québec under such an agreement in a taxation year of the taxpayer or a fiscal period of the partnership, is deemed not to exceed the amount that would represent the aggregate of the qualified expenditures of the taxpayer or partnership that are made in Québec in that year or period under the agreement if each expenditure, in this section referred to as a “particular expenditure”, that is made in Québec either by the taxpayer or partnership for scientific research and experimental development undertaken directly by the taxpayer or partnership, or by another person for scientific research and experimental development directly undertaken by that other person on behalf of the taxpayer or partnership, in that year or period under the agreement, were made by the taxpayer or partnership in the same circumstances and under the same conditions and were referred to in subsection 1 of section 222 or in paragraph *a* of section 223 and if the aggregate of the amount of each particular expenditure, which constitutes an overhead expenditure, were limited to 65% of the aggregate of the amount of each particular expenditure which constitutes incurred wages.

“1029.8.16.1.4. A taxpayer, other than a tax-exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1, who carries on a business in Canada and has entered into an agreement with a person or partnership under which the parties agree to undertake scientific research and experimental development related to a business of the taxpayer, in Québec, or cause such research and development to be undertaken in Québec on their behalf as part of a contract, is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer’s balance-due day for a taxation year in which the research and development was undertaken, on account of the taxpayer’s tax payable for that year under this Part, if the taxpayer encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file under section 1000 for that year, or would be required to file if tax were payable under this Part by the taxpayer, and if no party to the agreement is an excluded partner at any time in the year within the period that begins on the date on which the agreement was entered into, an amount equal to 35% of the aggregate of

(*a*) all or part of a qualified expenditure the taxpayer has made in Québec that can reasonably be attributed to such research and development directly undertaken by the taxpayer in that year;

(*b*) all or part of a qualified expenditure the taxpayer has made in Québec under a contract entered into with a person or partnership with which the taxpayer was not dealing at arm’s length at the time the contract was entered into, that can reasonably be attributed to such research and development

directly undertaken by the person or partnership on behalf of the taxpayer in that year; and

(c) 80% of an amount representing all or part of a qualified expenditure the taxpayer has made in Québec under a contract entered into with a person or partnership with which the taxpayer was dealing at arm's length at the time the contract was entered into, that can reasonably be attributed to such research and development directly undertaken by the person or partnership on behalf of the taxpayer in that year.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, 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 taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer'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 that amount that can 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.

“1029.8.16.1.5. If a particular partnership carries on a business in Canada and has entered into an agreement under which the parties agree to undertake scientific research and experimental development related to a business of the particular partnership, in Québec, or cause such research and development to be undertaken in Québec on their behalf as part of a contract, each taxpayer who is a member of the particular partnership at the end of a fiscal period of the particular partnership in which the research and development was undertaken, who is not a tax-exempt taxpayer within the meaning of paragraph *b.1* of section 1029.8.1 or a specified member of the particular partnership in that fiscal period, is deemed, subject to the second paragraph, to have paid to the Minister, on the taxpayer's balance-due day for the taxpayer's taxation year in which that fiscal period ends, on account of the taxpayer's tax payable for that year under this Part, if the taxpayer encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file under section 1000 for that taxation year, or would be required to file if tax were payable under this Part by the taxpayer, and if no party to the agreement is an excluded partner at any time in that fiscal period within the period that begins on the date on which the agreement was entered into, 35% of the taxpayer's share of an amount equal to the aggregate of

(a) all or part of a qualified expenditure the particular partnership has made in Québec that can reasonably be attributed to such research and development directly undertaken by the particular partnership in that fiscal period;

(b) all or part of a qualified expenditure the particular partnership has made in Québec under a contract entered into with a person or another partnership with which a member of the particular partnership was not dealing at arm's length at the time the contract was entered into, that can reasonably be attributed to such research and development directly undertaken by the person or the other partnership on behalf of the particular partnership in that fiscal period; and

(c) 80% of an amount representing all or part of a qualified expenditure the particular partnership has made in Québec under a contract entered into with a person or another partnership with which all the members of the particular partnership were dealing at arm's length at the time the contract was entered into, that can reasonably be attributed to such research and development directly undertaken by the person or the other partnership on behalf of the particular partnership in that fiscal period.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, 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 taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer's tax payable for the year under this Part and of the taxpayer'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 that amount that can 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.

“1029.8.16.1.6. The expenditure to which the definition of “qualified expenditure” in the first paragraph of section 1029.8.16.1.1 refers is

(a) an expenditure of a current nature incurred by or on behalf of a taxpayer or partnership in respect of the general administration or management of a business, including

i. the administrative salary or wages, including related benefits, of a person none or substantially none of whose duties are oriented toward the prosecution

of scientific research and experimental development, except to the extent that such expenditure is a prescribed expenditure,

- ii. a legal or accounting fee,
- iii. an amount referred to in any of sections 147, 148, 160, 161, 163, 176, 176.4 and 179,
- iv. an entertainment expense,
- v. an advertising or selling expense,
- vi. a conference or convention expense,
- vii. a due or fee in respect of membership in a scientific or technical organization, and
- viii. a fine or penalty;

(b) an expenditure of a current nature incurred by or on behalf of a taxpayer or partnership for the maintenance and upkeep of premises, facilities or equipment to the extent that the expenditure is not attributable to the prosecution of scientific research and experimental development;

(c) an expenditure of a capital nature incurred by or on behalf of a taxpayer or partnership to acquire property, except any such expenditure that, at the time it was incurred, was for the provision of premises, facilities or equipment if, at the time of the acquisition of the premises, facilities or equipment, it was intended

i. that the premises, facilities or equipment would be used during all or substantially all of their operating time in their expected useful life for the prosecution of scientific research and experimental development undertaken in Canada, and

ii. that all or substantially all of the value of the premises, facilities or equipment would be consumed in the prosecution of scientific research and experimental development undertaken in Canada;

(d) an expenditure of a capital nature incurred by or on behalf of a taxpayer or partnership to acquire property if the property has been used or acquired for use or lease, for any purpose whatever, before it was acquired;

(e) an expenditure made to acquire rights in, or arising out of, scientific research and experimental development;

(f) an expenditure related to scientific research and experimental development in respect of which an amount is deductible under any of sections 710 to 716.0.3 and 752.0.10.1 to 752.0.10.18 in computing taxable income or tax payable under this Part, as the case may be;

(g) an expenditure of a current or capital nature, to the extent that the taxpayer or partnership having incurred it or, where applicable, the person or another partnership having incurred it on behalf of the taxpayer or partnership has received or is entitled to receive a reimbursement in respect of the expenditure from a person resident in Canada, other than

i. the State or Her Majesty in right of Canada or a province, other than Québec,

ii. a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec,

iii. a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by the State or Her Majesty in right of Canada or a province, other than Québec, or by a mandatary of the State or of Her Majesty in right of Canada or a province, other than Québec, or

iv. a municipality in Canada or a municipal or public body performing a function of government in Canada;

(h) an expenditure of a current or capital nature, to the extent that the taxpayer or partnership having incurred it or, where applicable, the person or another partnership having incurred it on behalf of the taxpayer or partnership has received or is entitled to receive a reimbursement in respect of the expenditure from a person not resident in Canada and to the extent that the reimbursement is deductible by the person in computing taxable income earned in Canada for a taxation year; and

(i) an expenditure described in section 230.0.0.2.

“1029.8.16.1.7. A taxpayer may be deemed to have paid to the Minister an amount or the taxpayer’s share of an amount referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5, only if a favourable advance ruling has been given by the Ministère du Revenu in respect of the agreement referred to in that first paragraph, to which that amount or that share of an amount, as the case may be, is related, before all or part of a qualified expenditure is made under the agreement.

If under an agreement referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5, all or part of a qualified expenditure was made before a favourable advance ruling is given by the Ministère du Revenu in respect of the agreement, the expenditure so made is, for the sole purposes of the first paragraph, deemed to have been made after a favourable advance ruling was given by the Ministère du Revenu in respect of the agreement, if

(a) the application for an advance ruling in respect of the agreement has been filed with the Ministère du Revenu on or before the ninetieth day following the day on which the agreement was entered into or, if the conditions set out in the third paragraph in respect of the application for an advance

ruling are met, within three years following the day on which the agreement was entered into; and

(b) the Ministère du Revenu has given a favourable ruling in respect of the agreement.

The conditions to which subparagraph *a* of the second paragraph refers in respect of an application for an advance ruling relating to an agreement entered into by a taxpayer are as follows:

(a) the application could not be filed, for reasons beyond the control of the taxpayer, on or before the ninetieth day following the day on which the agreement was entered into;

(b) the application gives the reasons why it could not be filed on or before the ninetieth day following the day on which the agreement was entered into; and

(c) the Minister considers that the reasons put forward support the admissibility of the application.

“1029.8.16.1.8. For the purposes of this division, the Ministère du Revenu may give a favourable advance ruling in respect of an agreement referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5, only if

(a) the Ministère du Développement économique, de l’Innovation et de l’Exportation is of the opinion that the scientific research and experimental development for which the agreement was entered into is undertaken as part of a pre-competitive research project;

(b) the party to the agreement requesting that the Ministère du Revenu give the favourable advance ruling operates a business in Québec and has an establishment in Québec; and

(c) no party to the agreement is an excluded partner.

“1029.8.16.1.9. No taxpayer may be deemed to have paid to the Minister an amount or the taxpayer’s share of an amount referred to in the first paragraph of section 1029.8.16.1.4 or 1029.8.16.1.5 in respect of an agreement referred to in that first paragraph, to which that amount or that share of an amount, as the case may be, is related, for scientific research and experimental development that is undertaken under the agreement after the expiration of the three-year period that begins on the day on which the Ministère du Revenu gives its last favourable advance ruling in respect of the agreement.”

(2) Subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

123. (1) Section 1029.8.17 of the Act is amended by striking out paragraphs *b.0.1* and *b.0.2*.

(2) Subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date, unless the expenditure is incurred for scientific research and experimental development undertaken after that date as part of a contract in respect of which a favourable advance ruling has been given by the Ministère du Revenu under section 1029.8.9 of the Act on or before that date, or such an advance ruling has been given after that date, if an application for that ruling was filed on or before that date and the application was accompanied by all the documents required for its analysis.

124. (1) Section 1029.8.17.0.2 of the Act is repealed.

(2) Subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date, unless the expenditure is incurred for scientific research and experimental development undertaken after that date as part of a contract in respect of which a favourable advance ruling has been given by the Ministère du Revenu under section 1029.8.9 of the Act on or before that date, or such an advance ruling has been given after that date, if an application for that ruling was filed on or before that date and the application was accompanied by all the documents required for its analysis.

125. (1) Section 1029.8.18 of the Act is amended, in the first paragraph,

(1) by replacing “1029.8.10 and 1029.8.11” in the portion before subparagraph *a* by “1029.8.10, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5”;

(2) by replacing “and 1029.8.10” in subparagraph *a* by “, 1029.8.10 and 1029.8.16.1.4”;

(3) by replacing “and 1029.8.11” in the portion of subparagraph *b* before subparagraph *i* by “, 1029.8.11 and 1029.8.16.1.5”;

(4) by adding the following subparagraph after subparagraph *b*:

“(c) if the taxpayer or a particular partnership of which the taxpayer is a member has entered into a contract with a person, another partnership, an eligible university entity, an eligible public research centre or an eligible research consortium, within the meaning of paragraph *f*, *a.1* or *a.1.1* of section 1029.8.1, as the case may be, with whom or with which the taxpayer, or a member of the particular partnership, was not dealing at arm’s length at the time the contract was entered into,

i. the amount of a portion of the consideration paid referred to in any of subparagraphs *b*, *b.1*, *d* and *d.1* of the first paragraph of section 1029.7 or 1029.8 is to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance attributable to the wages paid to the employees of an establishment of the person or of the other partnership situated in Québec that are referred to in that subparagraph or to the portion of an expenditure incurred in respect of the salary or wages of the employees of an establishment of the person or of the other partnership situated in Québec referred to in that subparagraph, or that would be so attributable if the person or other partnership had such employees, and if the person or other partnership has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be,

ii. the amount of a portion of the consideration paid referred to in any of subparagraphs *f*, *f.1*, *h* and *h.1* of the first paragraph of section 1029.7 or 1029.8 is to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance that is

(1) attributable to that portion of the consideration and that the person or other partnership has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be, or

(2) attributable to the wages paid to the employees of an establishment of another person or partnership situated in Québec that are referred to in that subparagraph or to the portion of an expenditure incurred in respect of the salary or wages of the employees of an establishment of another person or partnership situated in Québec referred to in that subparagraph, or that would be so attributable if the other person or partnership had such employees, and if the other person or partnership referred to in that subparagraph has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be,

iii. all or a portion of the amount of a qualified expenditure referred to in subparagraph *a* of the first paragraph of section 1029.8.6 or 1029.8.7 is to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance attributable to expenditures in respect of scientific research and experimental development referred to in that subparagraph, which the eligible university entity, the eligible public research centre or the eligible research consortium, as the case may be, has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be, and

iv. all or a portion of a qualified expenditure referred to in subparagraph *b* of the first paragraph of any of sections 1029.8.10, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5 is to be reduced, where applicable, by the amount of any contract payment, government assistance or non-government assistance attributable to scientific research and experimental development referred to in that subparagraph, which the person or other partnership has received, is entitled to receive or can reasonably expect to receive on or before the taxpayer's filing-due date for the year, or the day that is six months after the end of the particular partnership's fiscal period that ends in the year, as the case may be."

(2) Paragraphs 1 to 3 of subsection 1 have effect from 24 March 2006.

(3) Paragraph 4 of subsection 1 applies in respect of a contract payment or assistance received or to be received after 23 March 2006.

126. (1) Section 1029.8.18.0.1 of the Act is amended, in the first paragraph,

(1) by replacing "section 1029.8.10 or 1029.8.11" in the portion before paragraph *a* by "any of sections 1029.8.10, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5";

(2) by replacing "referred to in section 1029.8.10 shall" in paragraph *a* by "referred to in section 1029.8.10 or 1029.8.16.1.4 must";

(3) by replacing "referred to in section 1029.8.11 shall" in the portion of paragraph *b* before subparagraph *i* by "referred to in section 1029.8.11 or 1029.8.16.1.5 must".

(2) Subsection 1 has effect from 24 March 2006.

127. (1) Section 1029.8.18.1 of the Act is amended by replacing "II.3" in the portion before paragraph *a* by "II.3.0.1".

(2) Subsection 1 has effect from 24 March 2006.

128. (1) Section 1029.8.18.1.1 of the Act is amended by replacing "II.3" in the portion before paragraph *a* by "II.3.0.1".

(2) Subsection 1 has effect from 24 March 2006.

129. (1) Section 1029.8.18.1.2 of the Act is amended by replacing "II.3" in the portion before paragraph *a* by "II.3.0.1".

(2) Subsection 1 has effect from 24 March 2006.

130. (1) The Act is amended by inserting the following section after section 1029.8.18.1.2:

“1029.8.18.1.3. If, at a particular time, a person, a partnership, an eligible university entity within the meaning of paragraph *f* of section 1029.8.1, an eligible public research centre within the meaning of paragraph *a.1* of that section, or an eligible research consortium within the meaning of paragraph *a.1.1* of that section, as the case may be, pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be the repayment of government assistance or non-government assistance that the person, partnership, entity, centre or consortium received and that reduced, because of subparagraph *c* of the first paragraph of section 1029.8.18, a particular expenditure made by a taxpayer or a particular partnership, for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by the taxpayer, or by a taxpayer who is a member of the particular partnership, under any of Divisions II, II.1, II.3 and II.3.0.1, the following rules apply:

(a) the particular amount is deemed, for the purposes of that division, to be an expenditure for scientific research and experimental development made at the particular time by the taxpayer or the particular partnership on the same basis as was the particular expenditure; and

(b) the amount that the taxpayer is deemed to have paid to the Minister under that division in respect of the particular amount is deemed

i. to be equal to the amount that, but for the assistance and, when the taxpayer is a member of the particular partnership, if the taxpayer's share of the income or loss of the particular partnership and that income or loss had been the same as those determined at the end of the fiscal period of the particular partnership that includes the particular time, on the assumption that, if the income and loss of the particular partnership for that fiscal period are nil, the particular partnership's income for that fiscal period is equal to \$1,000,000, would have been deemed to have been paid to the Minister by the taxpayer under that division in respect of that portion of the particular expenditure corresponding to the assistance so repaid, and

ii. to have been paid to the Minister under the same provision of that division as the provision under which, but for the assistance, the taxpayer would have been deemed to have paid an amount to the Minister in respect of that portion of the particular expenditure corresponding to the assistance so repaid.”

(2) Subsection 1 applies in respect of the repayment of an amount of assistance received after 23 March 2006 or of the deemed repayment of an amount of assistance to be received after that date.

131. (1) Section 1029.8.18.2 of the Act is amended by replacing “II.3” in paragraph *a* by “II.3.0.1”.

(2) Subsection 1 has effect from 24 March 2006.

132. (1) The Act is amended by inserting the following section after section 1029.8.18.2:

“1029.8.18.3. For the purposes of section 1029.8.18.1.3, an amount of assistance received by a person, a partnership, an eligible university entity within the meaning of paragraph *f* of section 1029.8.1, an eligible public research centre within the meaning of paragraph *a.1* of that section, or an eligible research consortium within the meaning of paragraph *a.1.1* of that section, as the case may be, is deemed to be repaid by the person, partnership, entity, centre or consortium at a particular time, pursuant to a legal obligation, if that amount

(*a*) reduced, because of paragraph *c* of section 1029.8.18, the amount of a portion of the consideration paid, or all or a portion of a qualified expenditure, for the purpose of computing the amount that is deemed to have been paid by a taxpayer to the Minister for a taxation year under any of Divisions II, II.1, II.3 and II.3.0.1;

(*b*) was not received by the person, partnership, eligible university entity, eligible public research centre or eligible research consortium; and

(*c*) ceased, at the particular time, to be an amount that the person, partnership, eligible university entity, eligible public research centre or eligible research consortium can reasonably expect to receive.”

(2) Subsection 1 has effect from 24 March 2006.

133. (1) Section 1029.8.19 of the Act is amended by replacing “1029.8.10 and 1029.8.11” by “1029.8.10, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5”.

(2) Subsection 1 has effect from 24 March 2006.

134. (1) Section 1029.8.19.1 of the Act is amended by replacing “1029.8.10 and 1029.8.11” by “1029.8.10, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5”.

(2) Subsection 1 has effect from 24 March 2006.

135. (1) Section 1029.8.19.2 of the Act is amended

(1) by replacing “1029.8.10 and 1029.8.11” by “1029.8.10, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5” wherever it appears in the following provisions:

- the first paragraph;
- the fourth paragraph;

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

“A contribution to which the first paragraph refers in respect of a scientific research and experimental development project or in respect of the carrying out of such a project, or to which the second paragraph refers in respect of a contract for work relating to scientific research and experimental development or in respect of the performance of the contract, means

(a) except for the purpose of determining the amount that a taxpayer is deemed to have paid to the Minister, on account of the taxpayer’s tax payable for a taxation year under section 1029.7 or 1029.8 in respect of a portion of a consideration referred to in any of subparagraphs *c*, *e*, *g* and *i* of the first paragraph of those sections, a contribution whether in the form of a payment in currency, a transfer of ownership of a property, an assignment of the use or of a right to use a property or in any other form or manner, other than a property resulting from scientific research and experimental development undertaken as part of the project or arising from the work relating to scientific research and experimental development carried out as part of the contract, as the case may be;”.

(2) Subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

136. (1) Section 1029.8.19.3 of the Act is amended by replacing “1029.8.10 and 1029.8.11” wherever it appears in the first and third paragraphs by “1029.8.10, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5”.

(2) Subsection 1 has effect from 24 March 2006.

137. (1) Section 1029.8.19.3.1 of the Act is repealed.

(2) Subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date, unless the expenditure is incurred for work carried out after that date as part of a contract in respect of which a favourable advance ruling has been given by the Ministère du Revenu under section 1029.8.9 of the Act on or before that date, or such an advance ruling has been given after that date, if an application for that ruling was filed on or before that date and the application was accompanied by all the documents required for its analysis.

138. (1) Section 1029.8.19.5 of the Act is amended, in the third paragraph,

(1) by replacing the portion before subparagraph *a* in the French text by the following:

“Une contribution à laquelle fait référence soit le premier alinéa, à l’égard d’un projet de recherches scientifiques et de développement expérimental ou à l’égard de la réalisation de ce projet, soit le deuxième alinéa, à l’égard d’un

contrat pour des travaux relatifs à des recherches scientifiques et à du développement expérimental ou à l'égard de la réalisation de ce contrat, signifie:";

(2) by striking out subparagraph *c*.

(2) Paragraph 2 of subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

139. (1) Section 1029.8.19.5.1 of the Act is repealed.

(2) Subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date.

140. (1) Section 1029.8.19.6 of the Act is amended by replacing "contemplated in section 1029.8.10 or 1029.8.11" by "referred to in any of sections 1029.8.10, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5".

(2) Subsection 1 has effect from 24 March 2006.

141. (1) Section 1029.8.19.7 of the Act is replaced by the following section:

"1029.8.19.7. For the purposes of the first paragraph of section 1029.8.19.2, in respect of a scientific research and experimental development project referred to in that paragraph or in respect of the carrying out of such a project, and for the purposes of the second paragraph of that section, in respect of a contract for work relating to scientific research and experimental development referred to in that paragraph, or in respect of the performance of the contract, a contribution whether in the form of a payment in currency, a transfer of ownership of a property, an assignment of the use or of the right to use a property, referred to in subparagraph *a* of the third paragraph of section 1029.8.19.2, is deemed, subject to a determination to the contrary by the Minister, not to be a contribution in respect of the project or its carrying out, or in respect of the contract or its performance, as the case may be, if

(*a*) the contribution results from the acquisition of a property or the provision of a service following a transaction occurring in the ordinary course of a business carried on by the taxpayer, the partnership, the member or a person referred to in the first or second paragraph of section 1029.8.19.2;

(*b*) the property or the provision of the service that is the subject of the transaction is acquired or supplied for an amount not exceeding its fair market value if the person or the partnership making the contribution is the purchaser

of the property or of the provision of the service and for an amount that is not less than its fair market value if the person or the partnership making the contribution is the person or partnership disposing of the property or supplying the provision of the service; and

(c) the contribution is not in the form of an expenditure made to undertake the scientific research and experimental development referred to in the first paragraph of section 1029.8.19.3 or the work relating to scientific research and experimental development referred to in the second paragraph of section 1029.8.19.3, or to cause such scientific research and experimental development or such work relating to scientific research and experimental development to be undertaken.”

(2) Subsection 1 applies in respect of an expenditure incurred after 23 March 2006 for scientific research and experimental development undertaken after that date and, where applicable, under a contract entered into after that date, unless the expenditure is incurred for work carried out after that date as part of a contract in respect of which a favourable advance ruling has been given by the Ministère du Revenu under section 1029.8.9 of the Act on or before that date, or such an advance ruling has been given after that date, if an application for that ruling was filed on or before that date and the application was accompanied by all the documents required for its analysis.

142. (1) Section 1029.8.21.1 of the Act is amended by replacing “and II.3” by “, II.3 and II.3.0.1”.

(2) Subsection 1 has effect from 24 March 2006.

143. (1) Section 1029.8.21.2 of the Act is amended by inserting “, 1029.8.16.1.4, 1029.8.16.1.5” after “1029.8.11”.

(2) Subsection 1 has effect from 24 March 2006.

144. (1) Section 1029.8.21.3.1 of the Act is amended by replacing “and 1029.8.11” by “, 1029.8.11, 1029.8.16.1.4 and 1029.8.16.1.5”.

(2) Subsection 1 has effect from 24 March 2006.

145. (1) Section 1029.8.33.7.1 of the Act is amended, in the portion of the first paragraph before the formula,

(1) by replacing “on or before the eligible taxpayer’s filing-due date for the taxation year referred to in that section” by “on or before the day that is six months after the end of the fiscal period referred to in that section, in this section referred to as the “particular fiscal period””;

(2) by striking out “ended in that year”.

(2) Subsection 1 has effect from 22 April 2005.

146. (1) Section 1029.8.33.12 of the Act is amended by striking out “and section 58.1 where the term refers to an amount to be included under sections 979.9 to 979.11 in that computation” in the definition of “wages”.

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

147. (1) Section 1029.8.34 of the Act is amended

(1) by replacing subparagraph 2 of subparagraph *i* of paragraph *a* of the definition of “qualified expenditure for services rendered outside the Montréal area” in the first paragraph by the following subparagraph:

“(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph *ii* or in paragraph *b* of the definition of “expenditure for services rendered outside the Montréal area” in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph *i* of subparagraph *c* of the first paragraph of section 1129.2, up to the product obtained by multiplying 100/10.5 or 100/22.17, as the case may be, by the amount of the tax under Part III.1 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph *i* in relation to that assistance, and”;

(2) by adding the following subparagraph after subparagraph 2 of subparagraph *ii* of paragraph *a* of the definition of “qualified expenditure for services rendered outside the Montréal area” in the first paragraph:

“(3) the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that is attributable to services rendered by an individual or to the wages of the person’s or partnership’s eligible employees that are referred to in any of subparagraphs *i* to *iv* of paragraph *b* of the definition of “labour expenditure” and that relate to an expenditure for services rendered outside the Montréal area of the corporation for a taxation year preceding the year in respect of that property, to the extent that the amount has not, under subparagraph *iii* of paragraph *b* of the definition of “expenditure for services rendered outside the Montréal area”, reduced the amount of that expenditure for services rendered outside the Montréal area of the corporation for that preceding year; and”;

(3) by replacing subparagraph 1 of subparagraph *i* of paragraph *b* of the definition of “qualified expenditure for services rendered outside the Montréal area” in the first paragraph by the following subparagraph:

“(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and”;

(4) by replacing subparagraph 2 of subparagraph i of paragraph *a* of the definition of “qualified computer-aided special effects and animation expenditure” in the first paragraph by the following subparagraph:

“(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, up to 60/7 of the tax under Part III.1 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i in relation to that assistance, and”;

(5) by adding the following subparagraph after subparagraph 2 of subparagraph ii of paragraph *a* of the definition of “qualified computer-aided special effects and animation expenditure” in the first paragraph:

“(3) the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that is attributable to services rendered by an individual or to the wages of the person’s or partnership’s eligible employees that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of “labour expenditure” and that relate to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of that property, to the extent that the amount has not, under subparagraph iii of paragraph *b* of the definition of “computer-aided special effects and animation expenditure”, reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year; and”;

(6) by replacing subparagraph 1 of subparagraph i of paragraph *b* of the definition of “qualified computer-aided special effects and animation expenditure” in the first paragraph by the following subparagraph:

“(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, and that the

corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and”;

(7) by replacing subparagraph 2 of subparagraph *i* of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph *ii* or in subparagraph *e* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph *i* of subparagraph *c* of the first paragraph of section 1129.2, up to 250% of the tax under Part III.1 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph *i* in relation to that assistance.”;

(8) by adding the following subparagraph after subparagraph 2 of subparagraph *ii* of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph:

“(3) the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an individual or to the wages of the person’s or partnership’s eligible employees that are referred to in any of subparagraphs *i* to *iv* of paragraph *b* of the definition of “labour expenditure”, to the extent that the amount has not, under subparagraph *iii* of subparagraph *e* of the second paragraph, reduced the amount of the labour expenditure of the corporation for that preceding year in respect of the property; and”;

(9) by replacing subparagraph 1 of subparagraph *i* of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and”;

(10) by replacing paragraph *b* of the definition of “expenditure for services rendered outside the Montréal area” in the first paragraph by the following paragraph:

“(b) in any other case, an amount equal to the amount by which the portion of a labour expenditure of the corporation for the year that is directly attributable to services rendered in the year in Québec, outside the Montréal area, in relation to a regional production and that is indicated, by budgetary item, on a document that the Société de développement des entreprises culturelles encloses with the advance ruling given or the certificate issued to the corporation in relation to the property, exceeds the aggregate of all amounts each of which is the lesser of the particular portion of either the amount described in paragraph *a* of the definition of “labour expenditure” or an amount described in any of subparagraphs i to iv of paragraph *b* of that definition, that is included in that portion of the corporation’s labour expenditure for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular portion 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 year,

ii. the amount of any benefit or advantage attributable to the particular portion that 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 year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular portion is the portion of an amount described in any of subparagraphs i to iv of paragraph *b* of the definition of “labour expenditure”, the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that year, that is attributable to services rendered by an individual or to the wages of the person’s or partnership’s eligible employees that are referred to in that subparagraph and that relate to the particular portion;”;

(11) by replacing paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in the first paragraph by the following paragraph:

“(b) in any other case, an amount equal to the amount by which the portion of a labour expenditure of the corporation for the year that is directly attributable to an amount paid for activities connected with computer-aided special effects and animation and carried on in Québec as part of the production of the property and that is indicated, by budgetary item, on a document that the Société de développement des entreprises culturelles encloses with the advance ruling given or the certificate issued to the corporation in relation to the property, exceeds the aggregate of all amounts each of which is the lesser of the particular portion of either the amount described in paragraph *a* of the definition of “labour expenditure” or an amount described in any of subparagraphs i to iv of paragraph *b* of that definition, that is included in that

portion of the corporation's labour expenditure for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular portion 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 year,

ii. the amount of any benefit or advantage attributable to the particular portion that 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 year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular portion is the portion of an amount described in any of subparagraphs i to iv of paragraph *b* of the definition of "labour expenditure", the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an individual or to the wages of the person's or partnership's eligible employees that are referred to in that subparagraph and that relate to the particular portion;"

(12) by replacing "at least 75% of its production costs for the preceding year" in paragraph *a.3* of the definition of "qualified corporation" in the first paragraph by "more than 50% of its production costs for the three preceding taxation years in which it produced productions";

(13) by replacing "certifying that the corporation qualifies" in the definition of "regional corporation" in the first paragraph by "certifying that the corporation is a regional corporation";

(14) by replacing subparagraph *e* of the second paragraph by the following subparagraph:

"(e) the amount of the labour expenditure of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds to the salaries or wages described in paragraph *a* of that definition or to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, that are included in that labour expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount 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 year,

ii. the amount of any benefit or advantage attributable to the particular amount that 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 year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an individual or to the wages of the person's or partnership's eligible employees that are referred to in that subparagraph;"

(15) by replacing the portion of the third paragraph before subparagraph i of subparagraph *a* by the following:

"For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definitions of "qualified computer-aided special effects and animation expenditure", "qualified expenditure for services rendered outside the Montréal area" and "qualified labour expenditure" in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(*a*) reduced, for the purpose of computing an amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.35,"

(16) by replacing "qualified corporation" in each of subparagraphs i to iv of subparagraph *a* of the third paragraph by "corporation";

(17) by replacing subparagraphs *b* and *c* of the third paragraph by the following subparagraphs:

"(*b*) was not received by the corporation, the other person or the partnership; and

"(*c*) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.";

(18) by replacing "de la définition" in the portion of the fourth paragraph before subparagraph *a* in the French text by "des définitions";

(19) by striking out "as depreciation" in subparagraph *c* of the fourth paragraph;

(20) by replacing “de la définition” in the portion of the fifth paragraph before subparagraph *a* in the French text by “des définitions”;

(21) by striking out subparagraph *b* of the eighth paragraph.

(2) Paragraphs 1 to 11 and 14 of subsection 1 apply in respect of assistance received or to be received or of a benefit or advantage obtained or to be obtained after 23 March 2006.

(3) Paragraph 12 of subsection 1 applies to a taxation year that ends after 20 December 2006.

(4) Paragraphs 15 to 17 of subsection 1 have effect from 24 March 2006.

(5) Paragraph 19 of 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 31 August 2001 or, if the corporation has made an election under subsection 2 of section 198 of chapter 9 of the statutes of 2003, 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 5 July 2001 and before 1 September 2001.

148. (1) Section 1029.8.35 of the Act is amended, in the first paragraph,

(1) by replacing “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” 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” in the portion before subparagraph *a* by “A corporation that encloses with the fiscal return it is required to file for a taxation year” and “a copy of the qualification certificate referred to in paragraph *a.3* of the definition of “qualified corporation” in the first paragraph of section 1029.8.34, where applicable”, respectively;

(2) by replacing “qualified corporation encloses with its” in the portion of subparagraph *a.1* before subparagraph *i* by “corporation encloses with the” and by replacing “à l’effet” in that portion in the French text by “certifiant”;

(3) by replacing “qualified corporation encloses with its” in the portion of subparagraph *b* before subparagraph *i* by “corporation encloses with the”.

(2) Subsection 1 applies to a taxation year of a corporation in relation to which

(1) the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 23 March 2006;

(2) a notice of objection has been notified to the Minister of Revenue before 23 March 2006 or an appeal has been filed, before that date, against an assessment or determination; or

(3) the corporation has filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the Act before 23 March 2006, if the waiver is in force on that date.

(3) If paragraph 1 of subsection 2 applies to a taxation year of a corporation, the Minister of Revenue shall, on application by the corporation on or before the day on which the time limits provided for in that paragraph 1 expire in relation to that taxation year or, if it is later, on 5 February 2008, make, under Part I of the Act and despite sections 1010 to 1011 of the Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6 of Chapter III.1 of Title III of Book IX of that Part I by the corporation and such assessments or reassessments of the interest and penalties payable by the corporation as are necessary to give effect to subsection 1. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

149. (1) Section 1029.8.36.0.0.1 of the Act is amended

(1) by replacing subparagraph 2 of subparagraph *i* of paragraph *a* of the definition of “qualified film dubbing expenditure” in the first paragraph by the following subparagraph:

“(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the production of the property, in subparagraph *ii* or in subparagraph *d* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, and”;

(2) by adding the following subparagraph after subparagraph 2 of subparagraph *ii* of paragraph *a* of the definition of “qualified film dubbing expenditure” in the first paragraph:

“(3) the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that, for a taxation year preceding the year in respect of the production of the property, is attributable to eligible dubbing services rendered by the person or partnership that are referred to in paragraph *b* of the definition of

“film dubbing expenditure”, to the extent that the amount has not, under subparagraph iii of subparagraph *d* of the second paragraph, reduced the film dubbing expenditure of the corporation for that preceding year in respect of the property; and”;

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

“(d) the amount of the film dubbing expenditure of a corporation for a taxation year in respect of the production of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds either to the salaries or wages described in paragraph *a* of that definition or to the consideration or the portion of the consideration described in paragraph *b* of that definition, that are included in that film dubbing expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount 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 year,

ii. the amount of any benefit or advantage attributable to the particular amount that 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 year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the consideration or the portion of the consideration described in paragraph *b* of that definition, the amount of any government assistance and non-government assistance that a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that is attributable to eligible dubbing services rendered in Québec by that person or partnership referred to in that paragraph; and”;

(4) by replacing the portion of the third paragraph before subparagraph i of subparagraph *a* by the following:

“For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of “qualified film dubbing expenditure” in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of the production of a property that is a qualified production, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.2, in respect of the production of the property;”;

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

“(b) was not received by the corporation, the other person or the partnership; and

“(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.”

(2) Paragraphs 1 to 3 of subsection 1 apply in respect of assistance received or to be received or of a benefit or advantage that is obtained or to be obtained after 23 March 2006.

(3) Paragraphs 4 and 5 of subsection 1 have effect from 24 March 2006.

150. (1) Section 1029.8.36.0.0.2 of the Act is amended by replacing the portion of the first paragraph before subparagraph *a* by the following:

“**1029.8.36.0.0.2.** A corporation that encloses with the fiscal return it is required to file for a taxation year under section 1000 a copy of the valid certificate issued to it by the Société de développement des entreprises culturelles specifying that the dubbed version of a production is a qualified production for the purposes of this division and the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, if the application for a certificate has been filed in respect of the production with the Société de développement des entreprises culturelles before the end of the year, to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to”.

(2) Subsection 1 applies to a taxation year of a corporation in relation to which

(1) the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 23 March 2006;

(2) a notice of objection has been notified to the Minister of Revenue before 23 March 2006 or an appeal has been filed, before that date, against an assessment or determination; or

(3) the corporation has filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the Act before 23 March 2006, if the waiver is in force on that date.

(3) If paragraph 1 of subsection 2 applies to a taxation year of a corporation, the Minister of Revenue shall, on application by the corporation on or before the day on which the time limits provided for in that paragraph 1 expire in relation to that taxation year or, if it is later, on 5 February 2008, make, under Part I of the Act and despite sections 1010 to 1011 of the Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6.0.0.1 of Chapter III.1 of Title III of Book IX of that Part I by the corporation and such assessments or reassessments of the interest and penalties payable by the corporation as are necessary to give effect to subsection 1. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

151. (1) Section 1029.8.36.0.0.4 of the Act is amended

(1) by replacing subparagraph ii of paragraph *a* of the definition of “qualified computer-aided special effects and animation expenditure” in the first paragraph by the following subparagraph:

“ii. any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in paragraph *b* or in paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in respect of a taxation year for which the corporation is a qualified corporation, and”;

(2) by adding the following subparagraph after subparagraph ii of paragraph *b* of the definition of “qualified computer-aided special effects and animation expenditure” in the first paragraph:

“iii. the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of “labour expenditure” and that relate to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of that property, to the extent that the amount has not, under subparagraph iii of paragraph *b* of the definition of “computer-aided special effects and animation expenditure”, reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year;”;

(3) by replacing subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“ii. any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in paragraph *b* or in subparagraph *d* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, and”;

(4) by replacing “in relation to assistance referred to in subparagraph i of paragraph *b*” in subparagraph iii of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph by “in relation to assistance referred to in paragraph *b*”;

(5) by adding the following subparagraph after subparagraph iii of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph:

“iv. the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of “labour expenditure”, to the extent that the amount has not, under subparagraph iii of subparagraph *d* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year in respect of the property;”;

(6) by replacing paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in the first paragraph by the following paragraph:

“(b) in any other case, an amount equal to the amount by which the portion of a labour expenditure of the corporation for the year that is directly attributable to an amount paid for activities connected with computer-aided special effects and animation and carried on as part of the production of the property and that is specified, by budgetary item, on a document that the Société de développement des entreprises culturelles encloses with the favourable advance ruling given or with the certificate issued to the corporation in relation to the property, exceeds the aggregate of all amounts each of which is the lesser of the particular portion of either the amount described in paragraph *a* of the definition of “labour expenditure” or an amount described in any of subparagraphs i to iv of paragraph *b* of that definition, that is included in that portion of the corporation’s labour expenditure for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular portion 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 year,

ii. the amount of any benefit or advantage attributable to the particular portion that 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 year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular portion is the portion of an amount described in any of subparagraphs i to iv of paragraph *b* of the definition of "labour expenditure", the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in that subparagraph and that relate to the particular portion;"

(7) by replacing "at least 75% of its production costs for the preceding year" in paragraph *f* of the definition of "excluded corporation" in the first paragraph by "more than 50% of its production costs for the three preceding taxation years during which it produced productions";

(8) by replacing subparagraph *d* of the second paragraph by the following subparagraph:

"(d) the amount of the labour expenditure of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds either to the salaries or wages described in paragraph *a* of that definition or to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, that are included in that labour expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount 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 year,

ii. the amount of any benefit or advantage attributable to the particular amount that 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 year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in that subparagraph;";

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

“For the purposes of subparagraph ii of paragraph *a* of the definitions of “qualified computer-aided special effects and animation expenditure” and “qualified labour expenditure” in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is a qualified production or a qualified low-budget production, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(*a*) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.5, in respect of the property,

i. because of paragraph *b* of the definition of “qualified computer-aided special effects and animation expenditure” in the first paragraph, a qualified computer-aided special effects and animation expenditure of the corporation,

ii. because of subparagraph *d* of the second paragraph, a labour expenditure of the corporation in respect of the production of the property,

iii. because of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph, a qualified labour expenditure of the corporation in respect of the property, or

iv. because of paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in the first paragraph, a computer-aided special effects and animation expenditure of the corporation;

(*b*) was not received by the corporation, the other person or the partnership; and

(*c*) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.”

(2) Paragraphs 1 to 6 and 8 of subsection 1 apply in respect of assistance received or to be received or of a benefit or advantage that is obtained or to be obtained after 23 March 2006.

(3) Paragraph 7 of subsection 1 applies to a taxation year that ends after 20 December 2006.

(4) Paragraph 9 of subsection 1 has effect from 24 March 2006.

152. (1) Section 1029.8.36.0.0.5 of the Act is amended by replacing “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” 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” in the portion of the first paragraph before subparagraph *a* by “A corporation that encloses with the fiscal return it is required to file for a taxation year” and “a copy of the qualification certificate referred to in paragraph *f* of the definition of “excluded corporation” in the first paragraph of section 1029.8.36.0.0.4, where applicable”, respectively.

(2) Subsection 1 applies to a taxation year of a corporation in relation to which

(1) the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 23 March 2006;

(2) a notice of objection has been notified to the Minister of Revenue before 23 March 2006 or an appeal has been filed, before that date, against an assessment or determination; or

(3) the corporation has filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph *ii* of paragraph *b* of subsection 2 of section 1010 of the Act before 23 March 2006, if the waiver is in force on that date.

(3) If paragraph 1 of subsection 2 applies to a taxation year of a corporation, the Minister of Revenue shall, on application by the corporation on or before the day on which the time limits provided for in that paragraph 1 expire in relation to that taxation year or, if it is later, on 5 February 2008, make, under Part I of the Act and despite sections 1010 to 1011 of the Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6.0.0.2 of Chapter III.1 of Title III of Book IX of that Part I by the corporation and such assessments or reassessments of the interest and penalties payable by the corporation as are necessary to give effect to subsection 1. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

153. (1) Section 1029.8.36.0.0.7 of the Act is amended

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

““qualified clip” of a corporation for a taxation year means a clip in respect of which the corporation holds for the year a favourable advance ruling given or a certificate issued by the Société de développement des entreprises culturelles for the purposes of this division;

““qualified property” means a qualified sound recording, a qualified digital audiovisual recording or a qualified clip;”;

(2) by replacing “qualified sound recording” by “qualified property” in the following provisions:

- the definition of “eligible employee” in the first paragraph;
- the definition of “eligible individual” in the first paragraph;
- the portion of the definition of “labour expenditure” in the first paragraph before paragraph *a*;
- the definition of “qualified corporation” in the first paragraph;
- the portion of the definition of “qualified labour expenditure” in the first paragraph before paragraph *a*;
- subparagraph *a* of the second paragraph;
- subparagraph *b* of the third paragraph;
- the portion of subparagraph *a* of the fourth paragraph before subparagraph *i*;
- subparagraph *b* of the fourth paragraph;
- subparagraph *c* of the fourth paragraph;

(3) by replacing paragraph *a* of the definition of “labour expenditure” in the first paragraph by the following paragraph:

“(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the salaries or wages that are incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate and that are paid by the corporation to its eligible employees, to the extent that they relate to services rendered in Québec for eligible production work relating to the property carried out

i. in the case of work carried out in the stage of pressing the property, before the date that is 18 months after the release of the property, and

ii. in the case of work carried out in the stages of production of the property, other than the stage referred to in subparagraph i, before the completion date of the master of the property or after that date, within a period that is reasonable to the Minister, but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph; and”;

(4) by replacing the portion of paragraph *b* of the definition of “labour expenditure” in the first paragraph before subparagraph i by the following:

“(b) the portion of the remuneration, other than a salary or wages, that is incurred by the corporation in the year and, if the year is the taxation year in which the corporation files an application for an advance ruling or, in the absence of such an application, an application for a certificate in respect of the property with the Société de développement des entreprises culturelles, the portion of the remuneration that is incurred by the corporation in a year preceding the year in which the corporation filed the application for an advance ruling or a certificate, that relates to services rendered in Québec to the corporation for eligible production work relating to the property and referred to in paragraph *a*, and that is paid by the corporation”;

(5) by replacing subparagraph 2 of subparagraph i of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in subparagraph *c* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the production of the property, in subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.10, up to 300% of the tax under Part III.1.0.3 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i in relation to that assistance, and”;

(6) by adding the following subparagraph after subparagraph 2 of subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph:

“(3) the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services

rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in any of subparagraphs *i* to *iv* of paragraph *b* of the definition of “labour expenditure”, to the extent that the amount has not, under subparagraph *iii* of subparagraph *c* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year in respect of the property; and”;

(7) by replacing the portion of subparagraph *i* of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph before subparagraph 2 by the following:

“*i.* 45% of the amount by which the production costs directly attributable to the production of the property that are incurred by the corporation before the end of the year in respect of the property until the completion date of the master of the property or within a period that is reasonable to the Minister but that must not extend beyond the date provided for in subparagraph *a* of the third paragraph or, in the case of production costs directly attributable to the stage of pressing the property, until the date that is 18 months after the release of the property, and that are paid by the corporation, exceeds the aggregate of

(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and”;

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

““qualified digital audiovisual recording” of a corporation for a taxation year means a digital audiovisual recording in respect of which the corporation holds for the year a favourable advance ruling given or a certificate issued by the Société de développement des entreprises culturelles for the purposes of this division;”;

(9) 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 qualified property means

(*a*) if the property is a qualified sound recording, the work to carry out the stages of production of the property from the initial design to the production of the master and the pressing stage to the extent that the work is attributable to the pressing of the first 20,000 copies of the property, including the design of the cover, mastering and media duplication, but does not include activities relating to promotion, distribution or dissemination;

(b) if the property is a qualified digital audiovisual recording, the work to carry out the stages of production of the property from the initial design to the production of the master and the pressing stage to the extent that the work is attributable to the pressing of the first 20,000 copies of the property, including the authoring stage, that is, the encoding, assembly and addition of interactivity to the image, sound and other components to be digitized, ambiophonic sound production, design of the cover, mastering and media duplication, but does not include activities relating to promotion, distribution or dissemination; and

(c) if the property is a qualified clip, the work to carry out the stages of production of the video material of the property from the initial design to the production of the master, but does not include activities relating to promotion, distribution or dissemination;”;

(10) by replacing subparagraph *c* of the second paragraph by the following subparagraph:

“(c) the amount of the labour expenditure of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds either to the salaries or wages described in paragraph *a* of that definition or to the portion of the remuneration described in any of subparagraphs *i* to *iv* of paragraph *b* of that definition, that are included in that labour expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount 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 year,

ii. the amount of any benefit or advantage attributable to the particular amount that 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 year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs *i* to *iv* of paragraph *b* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in that subparagraph;”;

(11) by adding the following subparagraph after subparagraph *d* of the second paragraph:

“(e) a labour expenditure of a corporation for a taxation year in respect of a property that is a qualified property is deemed to be nil for any taxation year of the corporation in respect of another property that is a qualified property.”;

(12) by striking out “as a depreciation” in subparagraph *c* of the fourth paragraph;

(13) by replacing the portion of the fifth paragraph before subparagraph *i* of subparagraph *a* by the following:

“For the purposes of subparagraph 2 of subparagraph *i* of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is a qualified property, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(*a*) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.8, in respect of the property;”;

(14) by striking out subparagraph *iii* of subparagraph *a* of the fifth paragraph;

(15) by replacing subparagraphs *b* and *c* of the fifth paragraph by the following subparagraphs:

“(b) was not received by the corporation, the other person or the partnership; and

“(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.”;

(16) by replacing “subparagraph *a*” in the seventh paragraph by “any of subparagraphs *a*, *a.1* and *a.2*”.

(2) Paragraphs 1, 8 and 13 to 16 of subsection 1 have effect from 24 March 2006. However, when the portion of the fifth paragraph of section 1029.8.36.0.0.7 of the Act before subparagraph *a* applies in respect of a labour expenditure incurred before 24 March 2006, it reads as if “qualified property” was replaced by “qualified sound recording”.

(3) Paragraphs 2 to 4, 9 and 11 of subsection 1 apply in respect of a labour expenditure incurred after 23 March 2006.

(4) Paragraphs 5, 6 and 10 of subsection 1 apply in respect of assistance received or to be received or of a benefit or advantage that is obtained or to be obtained after 23 March 2006.

(5) Paragraph 7 of subsection 1 applies in respect of a labour expenditure incurred after 23 March 2006, except when it enacts subparagraph 1 of

subparagraph *i* of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph of section 1029.8.36.0.0.7 of the Act, in which case it applies in respect of assistance received or to be received after that date.

(6) Paragraph 12 of 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.

154. (1) Section 1029.8.36.0.0.8 of the Act is amended

(1) by replacing “A qualified corporation that, in a taxation year, produces a sound recording and encloses with its fiscal return it is required to file for the year” and “qualified sound recording” in the portion of the first paragraph before subparagraph *a* by “A corporation that encloses with the fiscal return it is required to file for a taxation year” and “qualified property”, respectively;

(2) by replacing “in the case of a property” in subparagraph *a* of the first paragraph by “if the property is a qualified sound recording”;

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

“(a.1) if the property is a qualified digital audiovisual recording 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 23 March 2006, 29.1667% of its qualified labour expenditure for the year in respect of that property;

“(a.2) if the property is a qualified clip 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 23 March 2006, 29.1667% of its qualified labour expenditure for the year in respect of that property; and”;

(4) by replacing “sound recording shall” in the third paragraph by “property must”;

(5) by replacing “in subparagraph *a*” in the fourth paragraph by “in subparagraph *a* or *a.1*”;

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

“In the case of a property referred to in subparagraph *a.2* of the first paragraph, the third paragraph is to be read as if, in respect of that property, “\$50,000” was replaced wherever it appears by “\$21,875”.”

(2) Paragraph 1 of subsection 1, when it replaces “A qualified corporation that, in a taxation year, produces a sound recording and encloses with its fiscal return it is required to file for the year” by “A corporation that encloses with

the fiscal return it is required to file for a taxation year” in the portion of the first paragraph of section 1029.8.36.0.0.8 of the Act before subparagraph *a*, applies to a taxation year of a corporation in relation to which

(1) the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 23 March 2006;

(2) a notice of objection has been notified to the Minister of Revenue before 23 March 2006 or an appeal has been filed, before that date, against an assessment or determination; or

(3) the corporation has filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the Act before 23 March 2006, if the waiver is in force on that date.

(3) If paragraph 1 of subsection 2 applies to a taxation year of a corporation, the Minister of Revenue shall, on application by the corporation on or before the day on which the time limits provided for in that paragraph 1 expire in relation to that taxation year or, if it is later, on 5 February 2008, make, under Part I of the Act and despite sections 1010 to 1011 of the Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6.0.0.3 of Chapter III.1 of Title III of Book IX of that Part I by the corporation and such assessments or reassessments of the interest and penalties payable by the corporation as are necessary to give effect to paragraph 1 of subsection 1 when it replaces “A qualified corporation that, in a taxation year, produces a sound recording and encloses with its fiscal return it is required to file for the year” by “A corporation that encloses with the fiscal return it is required to file for a taxation year” in the portion of the first paragraph of section 1029.8.36.0.0.8 of the Act before subparagraph *a*. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

(4) Paragraph 1 of subsection 1, when it replaces “qualified sound recording” by “qualified property” in the portion of the first paragraph of section 1029.8.36.0.0.8 of the Act before subparagraph *a*, and paragraphs 2 to 6 of subsection 1 have effect from 24 March 2006.

155. (1) Section 1029.8.36.0.0.9 of the Act is amended by replacing “qualified sound recording” in the portion of the first paragraph before subparagraph *a* by “qualified property”.

(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 23 March 2006.

156. (1) Section 1029.8.36.0.0.10 of the Act is amended

(1) by replacing subparagraph 2 of subparagraph i of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in subparagraph *d* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the production of the property, in subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.14, up to 300% of the tax under Part III.1.0.4 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i in relation to that assistance, and”;

(2) by adding the following subparagraph after subparagraph 2 of subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph:

“(3) the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of “labour expenditure”, to the extent that the amount has not, under subparagraph iii of subparagraph *d* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year in respect of the property; and”;

(3) by replacing subparagraph 1 of subparagraph i of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph by the following subparagraph:

“(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and”;

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

“(d) the amount of the labour expenditure of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds either to the salaries or wages described in paragraph *a* of that definition or to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, that are included in that labour expenditure of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount 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 year,

ii. the amount of any benefit or advantage attributable to the particular amount that the corporation has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for that year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, another corporation or a partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the other corporation or the partnership, as the case may be, that are referred to in that subparagraph; and”;

(5) by striking out “as a depreciation” in subparagraph *c* of the fourth paragraph;

(6) by replacing the portion of the fifth paragraph before subparagraph i of subparagraph *a* by the following:

“For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is a qualified performance, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.11, in respect of the property;”;

(7) by striking out subparagraph iii of subparagraph *a* of the fifth paragraph;

(8) by replacing subparagraphs *b* and *c* of the fifth paragraph by the following subparagraphs:

“(b) was not received by the corporation, the other person or the partnership; and

“(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.”

(2) Paragraphs 1 to 4 of subsection 1 apply in respect of assistance received or to be received or of a benefit or advantage that is obtained or to be obtained after 23 March 2006.

(3) Paragraph 5 of 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.

(4) Paragraphs 6 to 8 of subsection 1 have effect from 24 March 2006.

157. (1) Section 1029.8.36.0.0.11 of the Act is amended

(1) by replacing “A qualified corporation that, in a taxation year, produces a performance and encloses with its fiscal return it is required to file for the year” in the portion of the first paragraph before subparagraph *a* by “A corporation that encloses with the fiscal return it is required to file for a taxation year”;

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

“Despite the fourth paragraph, if any of the periods provided for in the definition of “qualified performance” in the first paragraph of section 1029.8.36.0.0.10 is not completed on 29 June 2006 in respect of a property that is a qualified performance, the third paragraph is to be read as if “\$300,000” was replaced wherever it appears by “\$750,000”.”

(2) Paragraph 1 of subsection 1 applies to a taxation year of a corporation in relation to which

(1) the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 23 March 2006;

(2) a notice of objection has been notified to the Minister of Revenue before 23 March 2006 or an appeal has been filed, before that date, against an assessment or determination; or

(3) the corporation has filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the Act before 23 March 2006, if the waiver is in force on that date.

(3) If paragraph 1 of subsection 2 applies to a taxation year of a corporation, the Minister of Revenue shall, on application by the corporation on or before the day on which the time limits provided for in that paragraph 1 expire in relation to that taxation year or, if it is later, on 5 February 2008, make, under Part I of the Act and despite sections 1010 to 1011 of the Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6.0.0.4 of Chapter III.1 of Title III of Book IX of that Part I by the corporation and such assessments or reassessments of the interest and penalties payable by the corporation as are necessary to give effect to paragraph 1 of subsection 1. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

(4) Paragraph 2 of subsection 1 has effect from 29 June 2006.

158. (1) Section 1029.8.36.0.0.13 of the Act is amended

(1) by replacing subparagraph 2 of subparagraph *i* of paragraph *a* of the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph by the following subparagraph:

“(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph *ii* or in subparagraph *c* of the third paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to in subparagraph *i* of subparagraph *b* of the first paragraph of section 1129.4.0.18 in relation to the printing of the property, up to 333 1/3% of the tax under Part III.1.0.5 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph *i*, in relation to that assistance, and”;

(2) by replacing “in relation to assistance referred to in subparagraph 1 of subparagraph *ii*” in subparagraph 3 of subparagraph *i* of paragraph *a* of the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph by “in relation to assistance referred to in subparagraph *ii*”;

(3) by replacing “by virtue of subparagraph *c*” in subparagraph 1 of subparagraph *ii* of paragraph *a* of the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph by “under subparagraph *i* of subparagraph *c*”;

(4) by replacing “by virtue of subparagraph *d*” in subparagraph 2 of subparagraph *ii* of paragraph *a* of the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph by “under subparagraph *ii* of subparagraph *c*”;

(5) by adding the following subparagraph after subparagraph 2 of subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph:

“(3) the amount of any government assistance and non-government assistance that an eligible individual, a particular corporation or a partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the particular corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *b* of the definition of “labour expenditure attributable to printing costs”, to the extent that the amount has not, under subparagraph iii of subparagraph *c* of the third paragraph, reduced the labour expenditure attributable to printing costs of the corporation for that preceding year in respect of the property; and”;

(6) by replacing subparagraph 1 of subparagraph i of paragraph *b* of the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph by the following subparagraph:

“(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and”;

(7) by replacing subparagraph 2 of subparagraph i of paragraph *a* of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph by the following subparagraph:

“(2) any repayment made in the year by the corporation, another person or a partnership, as the case may be, pursuant to a legal obligation, of any assistance that was received by the corporation, the other person or the partnership and that is referred to, in relation to the property, in subparagraph ii or in subparagraph *c* of the fifth paragraph in respect of a taxation year for which the corporation is a qualified corporation, or of any other assistance that was received by the corporation, the other person or the partnership and that is referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.18 in relation to the preparation of the property, up to 250% of the tax under Part III.1.0.5 that the corporation is required to pay in a taxation year preceding the year because of that subparagraph i, in relation to that assistance, and”;

(8) by replacing “in relation to assistance referred to in subparagraph 1 of subparagraph ii” in subparagraph 3 of subparagraph i of paragraph *a* of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph by “in relation to assistance referred to in subparagraph ii”;

(9) by replacing “by virtue of subparagraph *c*” in subparagraph 1 of subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph by “under subparagraph i of subparagraph *c*”;

(10) by replacing “by virtue of subparagraph *d*” in subparagraph 2 of subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph by “under subparagraph ii of subparagraph *c*”;

(11) by adding the following subparagraph after subparagraph 2 of subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph:

“(3) the amount of any government assistance and non-government assistance that an eligible individual, a particular corporation or a partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that, for a taxation year preceding the year in respect of the property, is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the particular corporation or the partnership, as the case may be, that are referred to in any of subparagraphs i to iv of paragraph *c* of the definition of “labour expenditure attributable to preparation costs”, to the extent that the amount has not, under subparagraph iii of subparagraph *c* of the fifth paragraph, reduced the labour expenditure attributable to preparation costs of the corporation for that preceding year in respect of the property; and”;

(12) by replacing subparagraph 1 of subparagraph i of paragraph *b* of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph by the following subparagraph:

“(1) the amount of any government assistance and non-government assistance attributable to those costs that the corporation or a person or partnership with whom or with which the corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, and that the corporation, person or partnership, as the case may be, has not repaid at that time pursuant to a legal obligation, and”;

(13) by replacing “an individual who is a member” in subparagraph iv of paragraph *c* of the definition of “labour expenditure attributable to preparation costs” in the first paragraph and in subparagraph iv of paragraph *b* of the definition of “labour expenditure attributable to printing costs” in the first paragraph by “an eligible individual who is a member”;

(14) by replacing subparagraph *c* of the third paragraph by the following subparagraph:

“(c) the amount of the labour expenditure attributable to printing costs of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds to the salaries or wages described in paragraph *a* of that definition, to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition or to the consideration or the portion of the consideration described in paragraph *c* of that definition, that are included in that labour expenditure attributable to printing costs of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount 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 year,

ii. the amount of any benefit or advantage attributable to the particular amount that 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 year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *b* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, a particular corporation or a partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the particular corporation or the partnership, as the case may be, that are referred to in that subparagraph;”;

(15) by striking out subparagraph *d* of the third paragraph;

(16) by replacing subparagraph *c* of the fifth paragraph by the following subparagraph:

“(c) the amount of the labour expenditure attributable to preparation costs of a corporation for a taxation year in respect of a property is to be reduced, where applicable, by the aggregate of all amounts each of which is the lesser of the particular amount that corresponds to the salaries or wages described in paragraph *a* of that definition, to the advances described in paragraph *b* of that definition, to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *c* of that definition or to the consideration or the portion of the consideration described in paragraph *d* of that definition, that are included in that labour expenditure attributable to preparation costs of the corporation for the year, and the aggregate of

i. the amount of any government assistance and non-government assistance attributable to the particular amount 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 year,

ii. the amount of any benefit or advantage attributable to the particular amount that 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 year, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, and

iii. if the particular amount corresponds to the portion of the remuneration described in any of subparagraphs i to iv of paragraph *c* of that definition, the amount of any government assistance and non-government assistance that an eligible individual, a particular corporation or a partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year, that is attributable to services rendered by an eligible individual or to the wages of the eligible employees of the eligible individual, the particular corporation or the partnership, as the case may be, that are referred to in that subparagraph;";

(17) by striking out subparagraph *d* of the fifth paragraph;

(18) by replacing the portion of the eighth paragraph before subparagraph i of subparagraph *a* by the following:

“For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of “qualified labour expenditure attributable to printing costs” in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is an eligible work or an eligible group of works, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(*a*) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.14, in respect of the property;”;

(19) by replacing “of subparagraph 1 of subparagraph ii” in subparagraph ii of subparagraph *a* of the eighth paragraph by “of subparagraph ii”;

(20) by striking out subparagraph iii of subparagraph *a* of the eighth paragraph;

(21) by replacing subparagraphs *b* and *c* of the eighth paragraph by the following subparagraphs:

“(b) was not received by the corporation, the other person or the partnership; and

“(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.”;

(22) by replacing the portion of the ninth paragraph before subparagraph i of subparagraph *a* by the following:

“For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of “qualified labour expenditure attributable to preparation costs” in the first paragraph, an amount of assistance received by a corporation, another person or a partnership, as the case may be, is deemed, in respect of a property that is an eligible work or an eligible group of works, to be repaid by the corporation, the other person or the partnership in a taxation year, pursuant to a legal obligation, if that amount

(*a*) reduced, for the purpose of computing the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.14, in respect of the property.”;

(23) by replacing “of subparagraph 1 of subparagraph ii” in subparagraph ii of subparagraph *a* of the ninth paragraph by “of subparagraph ii”;

(24) by striking out subparagraph iii of subparagraph *a* of the ninth paragraph;

(25) by replacing subparagraphs *b* and *c* of the ninth paragraph by the following subparagraphs:

“(b) was not received by the corporation, the other person or the partnership; and

“(c) ceased in the taxation year to be an amount that the corporation, the other person or the partnership may reasonably expect to receive.”

(2) Paragraphs 1 to 12 and 14 to 17 of subsection 1 apply in respect of assistance received or to be received or of a benefit or advantage that is obtained or to be obtained after 23 March 2006.

(3) Paragraphs 13 and 18 to 25 of subsection 1 have effect from 24 March 2006.

159. (1) Section 1029.8.36.0.0.14 of the Act is amended by replacing “A corporation that, in a taxation year, is a qualified corporation and encloses with the fiscal return it is required to file for the year” in the portion of the first paragraph before subparagraph *a* by “A corporation that encloses with the fiscal return it is required to file for a taxation year”.

(2) Subsection 1 applies to a taxation year of a corporation in relation to which

(1) the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 23 March 2006;

(2) a notice of objection has been notified to the Minister of Revenue before 23 March 2006 or an appeal has been filed, before that date, against an assessment or determination; or

(3) the corporation has filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the Act before 23 March 2006, if the waiver is in force on that date.

(3) If paragraph 1 of subsection 2 applies to a taxation year of a corporation, the Minister of Revenue shall, on application by the corporation on or before the day on which the time limits provided for in that paragraph 1 expire in relation to that taxation year or, if it is later, on 5 February 2008, make, under Part I of the Act and despite sections 1010 to 1011 of the Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6.0.0.5 of Chapter III.1 of Title III of Book IX of that Part I by the corporation and such assessments or reassessments of the interest and penalties payable by the corporation as are necessary to give effect to subsection 1. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

160. Divisions II.6.0.1 and II.6.0.1.1 of Chapter III.1 of Title III of Book IX of Part I of the Act are repealed.

161. (1) Section 1029.8.36.0.3.8 of the Act is amended

(1) by replacing “eligible employees” in paragraph *c* of the definition of “qualified labour expenditure” in the first paragraph by “employees”;

(2) by replacing “favourable advance ruling given or a certificate issued” in the portion of the definition of “qualified corporation” in the first paragraph before paragraph *a* by “qualification certificate issued for the year”;

(3) by replacing “final” in paragraph *a* of the definition of “qualified corporation” in the first paragraph by “qualification”;

(4) by replacing the definition of “multimedia title” in the first paragraph by the following definition:

““multimedia title” of a corporation, for a taxation year, means an organized set of numerical information in respect of which a qualification certificate is issued to the corporation for the year by Investissement Québec 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”, for a taxation year, relating to a property that is a multimedia title means the work specified in the qualification certificate issued for the year to a corporation in respect of an eligible employee or of a person or partnership that has carried out all or part of that work as part of a contract.”;

(6) by striking out “of paragraphs *b* and *c*” in the portion of the second paragraph before subparagraph *a*;

(7) by replacing “those paragraphs” and “final” in subparagraph *b* of the second paragraph by “paragraphs *b* and *c* of that definition” and “qualification”, respectively;

(8) by striking out subparagraph *c* of the second paragraph;

(9) by adding the following subparagraph after subparagraph *c* of the second paragraph:

“(d) a salary, wages or a consideration does not include remuneration based on the profits or revenues derived from the operation of a property.”;

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

“For the purposes of subparagraph *d* of the second paragraph, remuneration based on the profits and revenues derived from the operation of a property that is a multimedia title does not include remuneration that

(a) is determined in particular on the basis of the type of use projected for the property; and

(b) may not be reimbursed if the property is not used as first anticipated.”

(2) Paragraphs 1 to 8 of subsection 1 apply in respect of a property for which a qualification certificate was issued after 30 March 2004.

(3) Paragraphs 9 and 10 of subsection 1 apply to a taxation year of a corporation in relation to which

(1) the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 23 March 2006;

(2) a notice of objection has been notified to the Minister of Revenue before 23 March 2006 or an appeal has been filed, before that date, against an assessment or determination; or

(3) the corporation has filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the Act before 23 March 2006, if the waiver is in force on that date.

(4) If paragraph 1 of subsection 3 applies to a taxation year of a corporation, the Minister of Revenue shall, on application by the corporation on or before the day on which the time limits provided for in that paragraph 1 expire in relation to that taxation year or, if it is later, on 5 February 2008, make, under Part I of the Act and despite sections 1010 to 1011 of the Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6.0.1.2 of Chapter III.1 of Title III of Book IX of that Part I by the corporation and such assessments or reassessments of the interest and penalties payable by the corporation as are necessary to give effect to paragraphs 9 and 10 of subsection 1. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

162. (1) Section 1029.8.36.0.3.9 of the Act is amended

(1) by replacing “in relation to the property” in the first paragraph by “in relation to a property that is a multimedia title”;

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

“The percentage to which the first paragraph refers in relation to a property that is a multimedia title for a taxation year is one of the following percentages:”;

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

“(b) a copy of the valid qualification certificate issued to the corporation for the year by Investissement Québec, for the purposes of this division, in respect of a property that is a multimedia title and in respect of an eligible employee or of a person or partnership that, as part of a contract, carried out all or part of the production work in respect of the property.”

(2) Paragraphs 1 and 3 of subsection 1 apply in respect of a property for which a qualification certificate was issued after 30 March 2004.

163. (1) Section 1029.8.36.0.3.10 of the Act is amended

(1) by replacing the portion of the first paragraph before subparagraph *b* 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 qualification certificate issued to a corporation for a taxation year, the following rules apply:”;

(2) by striking out subparagraphs *b* and *c* of the first paragraph;

(3) by replacing subparagraph *d* of the first paragraph by the following subparagraph:

“(d) the revoked qualification certificate is null from the time the revocation becomes effective.”;

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

“The revoked qualification certificate referred to in the first paragraph is deemed not to have been issued as of the effective date specified in the notice of revocation.”

(2) Subsection 1 applies in respect of a qualification certificate issued after 30 March 2004.

164. (1) Section 1029.8.36.0.3.10.1 of the Act is replaced by the following section:

“**1029.8.36.0.3.10.1.** For the purpose of computing the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.9, the following rules apply:

(a) the amount of the salaries or wages incurred or of a portion of the consideration paid, included in the qualified labour expenditure of the corporation for the year, in respect of a property that is a multimedia title, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance attributable to the salaries or wages or to the portion of the consideration, as the case may be, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year; and

(b) the amount of a portion of the consideration paid that is referred to in paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph of section 1029.8.36.0.3.8 and included in the qualified labour expenditure referred to in paragraph *a*, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance that is attributable to the salaries or wages incurred and paid in respect of the eligible employees of an establishment of a person or partnership situated in Québec that are referred to in that paragraph *b*, or that would be so attributable if the person or partnership had such employees, and that the person or partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year.”

(2) Subsection 1 applies to assistance received or to be received after 23 March 2006. In addition, when section 1029.8.36.0.3.10.1 of the Act applies after 21 April 2005 and in respect of assistance received or to be received before 24 March 2006, it reads as if “, in respect of a property that is a multimedia title” was inserted after “qualified labour expenditure of the corporation for the year”.

165. (1) Section 1029.8.36.0.3.11 of the Act is amended by replacing the portion before paragraph *a* by the following:

“1029.8.36.0.3.11. If, in a taxation year, in this section referred to as the “repayment year”, a person or partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that the person or partnership received and that reduced, in accordance with section 1029.8.36.0.3.10.1, the qualified labour expenditure of a corporation, for a particular taxation year, in respect of a property that is a multimedia title for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.0.3.9, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation’s balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for that particular year under section 1029.8.36.0.3.9, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.0.3.10.1, exceeds the aggregate of”.

(2) Subsection 1 applies in respect of the repayment of an amount of assistance received after 23 March 2006 or of the deemed repayment of an amount of assistance to be received after that date.

166. (1) Section 1029.8.36.0.3.12 of the Act is replaced by the following section:

“1029.8.36.0.3.12. For the purposes of section 1029.8.36.0.3.11, an amount of assistance received by a person or partnership is deemed, in respect of a property that is a multimedia title, to be repaid by the person or partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.0.3.10.1, a qualified labour expenditure of a qualified corporation for the purpose of computing the amount it is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.9;

(b) was not received by the person or partnership; and

(c) ceased in the taxation year to be an amount that the person or partnership may reasonably expect to receive.”

(2) Subsection 1 has effect from 24 March 2006.

167. (1) Section 1029.8.36.0.3.13 of the Act is replaced by the following section:

“1029.8.36.0.3.13. If, in respect of eligible production work in relation to a property that is a multimedia title, a person or 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 carrying out of the eligible production work, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, or a person or partnership is deemed to have obtained or to be entitled to obtain such a benefit or advantage on a determination of the Minister to that effect, the amount of the salaries or wages incurred or of a portion of a consideration paid, included in the qualified labour expenditure of a qualified corporation, for a taxation year, in respect of the property, is, for the purpose of computing the amount that is deemed to have been paid to the Minister for the year by the corporation under section 1029.8.36.0.3.9, to be reduced, where applicable, by the amount of the benefit or advantage attributable to the salaries or wages or to the portion of a consideration, as the case may be, that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, or is deemed to have obtained or to be entitled to obtain, on or before the corporation’s filing-due date for that year.”

(2) Subsection 1 applies in respect of a benefit or advantage that is obtained or to be obtained after 21 April 2005 or that is deemed obtained or to be obtained after that date.

168. (1) Section 1029.8.36.0.3.18 of the Act is amended

(1) by replacing “eligible employees” in paragraph *c* of the definition of “qualified labour expenditure” in the first paragraph by “employees”;

(2) by replacing “final certificate issued” in the portion of the definition of “qualified corporation” in the first paragraph before paragraph *a* by “qualification certificate issued, for the year,”;

(3) by replacing “final certificate issued to the corporation” in the definition of “eligible multimedia title” in the first paragraph by “qualification certificate issued to the corporation, for the year,”;

(4) by replacing the definition of “eligible production work” in the first paragraph by the following definition:

““eligible production work”, for a taxation year, relating to an eligible multimedia title, means the work specified in the qualification certificate issued for the year to a corporation in respect of an eligible employee or a person or partnership that has carried out all or part of that work as part of a contract,”;

(5) by replacing “final certificate” in subparagraph *b* of the second paragraph by “qualification certificate”;

(6) by striking out subparagraph *d* of the second paragraph;

(7) by adding the following subparagraph after subparagraph *d* of the second paragraph:

“(e) a salary, wages or a consideration does not include remuneration based on the profits or revenues derived from the operation of a property.”;

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

“For the purposes of subparagraph *e* of the second paragraph, remuneration based on the profits and revenues derived from the operation of a property that is a multimedia title does not include remuneration that

(a) is determined in particular on the basis of the type of use projected for the property; and

(b) may not be reimbursed if the property is not used as first anticipated.”

(2) Paragraphs 1 to 6 of subsection 1 apply in respect of a corporation for which a qualification certificate was issued after 30 March 2004.

(3) Paragraphs 7 and 8 of subsection 1 apply to a taxation year of a corporation in relation to which

(1) the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 23 March 2006;

(2) a notice of objection has been notified to the Minister of Revenue before 23 March 2006 or an appeal has been filed, before that date, against an assessment or determination; or

(3) the corporation has filed with the Minister of Revenue a waiver in the prescribed form in accordance with subparagraph ii of paragraph *b* of subsection 2 of section 1010 of the Act before 23 March 2006, if the waiver is in force on that date.

(4) If paragraph 1 of subsection 3 applies to a taxation year of a corporation, the Minister of Revenue shall, on application by the corporation on or before the day on which the time limits provided for in that paragraph 1 expire in relation to that taxation year or, if it is later, on 5 February 2008, make, under Part I of the Act and despite sections 1010 to 1011 of the Act, such determinations or redeterminations of the amount deemed to have been paid under Division II.6.0.1.3 of Chapter III.1 of Title III of Book IX of that Part I by the corporation and such assessments or reassessments of the interest and penalties payable by the corporation as are necessary to give effect to paragraphs 7 and 8 of subsection 1. Sections 93.1.8 and 93.1.12 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) apply, with the necessary modifications, to such determinations or assessments.

169. (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 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 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 replacing the portion of the third paragraph before subparagraph *a* by the following:

“The percentage to which the first paragraph refers for a taxation year is one of the following percentages:”;

(3) by replacing “final” in subparagraphs *d* to *f* of the third paragraph by “qualification”;

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

“(b) a copy of the valid qualification certificate issued to the corporation for the year by Investissement Québec, for the purposes of this division, in respect of its activities and in respect of an eligible employee or of a person or partnership that, as part of a contract, carried out all or part of the production work.”

(2) Paragraphs 1, 3 and 4 of subsection 1 apply in respect of a corporation for which a qualification certificate was issued after 30 March 2004.

170. (1) Section 1029.8.36.0.3.20 of the Act is amended by inserting “qualification” before “certificate” in the portion of the first paragraph before subparagraph *a*.

(2) Subsection 1 applies in respect of a qualification certificate issued after 30 March 2004.

171. (1) Section 1029.8.36.0.3.21 of the Act is replaced by the following section:

“**1029.8.36.0.3.21.** For the purpose of computing the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.19, the following rules apply:

(a) the amount of the salaries or wages incurred or of a portion of the consideration paid, included in the qualified labour expenditure of the corporation for the year, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance that is attributable to the salaries or wages or to the portion of the consideration, as the case may be, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year; and

(b) the amount of a portion of the consideration paid that is referred to in paragraph *b* of the definition of "qualified labour expenditure" in the first paragraph of section 1029.8.36.0.3.18 and included in the qualified labour expenditure referred to in paragraph *a*, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance that is attributable to the salaries or wages incurred and paid in respect of the eligible employees of an establishment of a person or partnership situated in Québec that are referred to in that paragraph *b*, or that would be so attributable if the person or partnership had such employees, and that the person or partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year."

(2) Subsection 1 applies to assistance received or to be received after 23 March 2006.

172. (1) Section 1029.8.36.0.3.22 of the Act is amended by replacing the portion before paragraph *a* by the following:

"1029.8.36.0.3.22. If, in a taxation year, in this section referred to as the "repayment year", a person or partnership pays, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that the person or partnership received and that reduced, in accordance with section 1029.8.36.0.3.21, the qualified labour expenditure of a corporation for a particular taxation year for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular year under section 1029.8.36.0.3.19, the corporation is deemed, if it encloses the prescribed form with the fiscal return it is required to file for the repayment year under section 1000, to have paid to the Minister on the corporation's balance-due day for the repayment year, on account of its tax payable for that year under this Part, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for that particular year under section 1029.8.36.0.3.19, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.0.3.21, exceeds the aggregate of".

(2) Subsection 1 applies in respect of the repayment of an amount of assistance received after 23 March 2006 or of the deemed repayment of an amount of assistance to be received after that date.

173. (1) Section 1029.8.36.0.3.23 of the Act is replaced by the following section:

“1029.8.36.0.3.23. For the purposes of section 1029.8.36.0.3.22, an amount of assistance received by a person or partnership is deemed to be repaid by the person or partnership in a particular taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.0.3.21, the qualified labour expenditure of a corporation for a taxation year for the purpose of computing the amount it is deemed to have paid to the Minister under section 1029.8.36.0.3.19;

(b) was not received by the person or partnership; and

(c) ceased in the particular taxation year to be an amount that the person or partnership may reasonably expect to receive.”

(2) Subsection 1 has effect from 24 March 2006.

174. (1) Section 1029.8.36.0.3.24 of the Act is replaced by the following section:

“1029.8.36.0.3.24. If, in respect of eligible production work relating to eligible multimedia titles, a person or 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 carrying out of the eligible production work, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, or a person or partnership is deemed to have obtained or to be entitled to obtain such a benefit or advantage on a determination by the Minister to that effect, the amount of the salaries or wages incurred or of a portion of a consideration paid, included in the qualified labour expenditure of a qualified corporation for a taxation year, is, for the purpose of computing the amount that is deemed to have been paid to the Minister for the year by the corporation under section 1029.8.36.0.3.19, to be reduced, where applicable, by the amount of the benefit or advantage attributable to the salaries or wages or to the portion of a consideration, as the case may be, that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, or is deemed to have obtained or to be entitled to obtain, on or before the corporation’s filing-due date for that year.”

(2) Subsection 1 applies in respect of a benefit or advantage that is obtained or to be obtained after 21 April 2005 or that is deemed obtained or to be obtained after that date.

175. (1) Section 1029.8.36.0.17 of the Act is amended

(1) by adding “, other than the costs so included under section 180 or 182” at the end of the definition of “acquisition costs” in the first paragraph;

(2) by inserting “, subject to subparagraphs *c* and *d* of the first paragraph of section 1029.8.36.0.18.2” after “means” in the portion of the definition of “eligibility period” in the first paragraph before paragraph *a*;

(3) by replacing “in a preceding taxation year” in subparagraph *i* of paragraphs *b* and *c* of the definition of “eligibility period” in the first paragraph by “for a preceding taxation year”;

(4) by inserting “, subject to subparagraph *b* of the first paragraph of section 1029.8.36.0.18.2,” after “means” in the portion of the definition of “specified corporation” in the first paragraph before paragraph *a*;

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

“For the purposes of the definition of “specified activity” in the first paragraph, a corporation is deemed to carry out a specified activity in a designated site in the part of a taxation year for which it is authorized by Investissement Québec to carry on its business outside that site, if the activity is carried out in Québec in that part of the year.”;

(6) by replacing “For the purposes of” in the fourth paragraph by “Despite”;

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

“Despite the definition of “eligibility period” in the first paragraph, the eligibility period of a corporation that is an exempt corporation does not include the part of a taxation year that is described in the fourth paragraph of section 771.1.”;

(8) by inserting the following paragraph after the fifth paragraph:

“If any corporation that has been an exempt corporation for a taxation year subsequently becomes a specified corporation, the date of coming into force of the certificate, referred to in paragraph *a* of section 771.12, that was issued in respect of that corporation is deemed, for the purposes of the definition of “specified period” in the first paragraph and of the seventh paragraph, to be the date of coming into force of the certificate referred to in paragraph *c* of the definition of “specified corporation” in the first paragraph that was issued to that corporation for its first taxation year in which it carried on or could carry on its business in any designated site.”

(2) Paragraph 1 of subsection 1 applies in respect of costs that are included in the capital cost of a property because of an election made after 29 June 2006.

(3) Paragraphs 2 to 4 and 8 of subsection 1 have effect from 12 June 2003.

(4) Paragraphs 5 and 7 of subsection 1 apply to a taxation year that begins after 20 December 2001.

(5) Paragraph 6 of subsection 1 has effect from 31 March 2004.

176. (1) The Act is amended by inserting the following section after section 1029.8.36.0.18.1:

“1029.8.36.0.18.2. If, following an acquisition of control referred to in subparagraph *f* of the first paragraph of section 771.13 or an election made under subparagraph *g* of that paragraph, a corporation ceases to be an exempt corporation at the beginning of the taxation year that follows the taxation year in which the acquisition of control occurs or the election becomes effective, the following rules apply, as the case may be:

(a) for the purposes of subparagraph *iv* of paragraph *b* of the definition of “specified corporation” in the first paragraph of section 1029.8.36.0.17, the corporation is deemed to be a specified corporation at the time of the acquisition of control;

(b) if the definition of “specified corporation” in the first paragraph of section 1029.8.36.0.17 applies to the corporation for the taxation year in which the acquisition of control occurs or the election becomes effective, it is to be read without reference to its subparagraph *iii* of paragraph *b*;

(c) for the purposes of paragraph *a* of the definition of “eligibility period” in the first paragraph of section 1029.8.36.0.17, the day on which the acquisition of control occurs or the election becomes effective is deemed to be the day on which the corporation ceases to be an exempt corporation; and

(d) if the acquisition of control occurs or the election becomes effective before the end of the five-year period described in paragraph *b* of the definition of “eligibility period” in the first paragraph of section 1029.8.36.0.17, or before the end of the three-year period described in paragraph *c* of that definition, the eligibility period ends immediately before the acquisition of control occurs or on the day before that on which the election becomes effective, as the case may be.

If, after 30 March 2004, Investissement Québec issues a certificate, referred to in paragraph *c* of the definition of “specified corporation” in the first paragraph of section 1029.8.36.0.17, for a taxation year, to a corporation that carries on or may carry on its business in a biotechnology development centre, no reference is to be made to subparagraph *d* of the first paragraph in computing the amount that the corporation is deemed to have paid to the Minister for that taxation year under section 1029.8.36.0.25 or 1029.8.36.0.25.1.”

(2) Subsection 1 has effect from 12 June 2003, except when it enacts the second paragraph of section 1029.8.36.0.18.2 of the Act, in which case it has effect from 31 March 2004.

177. (1) Section 1029.8.36.0.25.0.1 of the Act is amended by replacing the first paragraph by the following paragraph:

“1029.8.36.0.25.0.1. Despite section 1029.8.36.0.25, no amount may, in relation to a qualified property, be deemed to have been paid to the Minister by a corporation for a particular taxation year, in respect of acquisition costs incurred by the corporation in that year in respect of the property if, at any given time before the corporation’s filing-due date for the particular year, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, of a major breakdown of the property or of its obsolescence, to be used by the corporation, mainly in a qualified centre or exclusively or almost exclusively to earn income from,

(a) if the corporation is an exempt corporation and the particular year is not the particular year referred to in subparagraph *c*, a business carried on by the corporation in that centre;

(b) if the corporation is a specified corporation, the qualified centre is a biotechnology development centre and the particular year is not the particular year referred to in subparagraph *c*, the part of a business carried on by the corporation in that centre that may reasonably be attributed to the carrying out of a specified activity; or

(c) if, following an acquisition of control referred to in subparagraph *f* of the first paragraph of section 771.13 that occurs in the particular year or an election made under subparagraph *g* of that paragraph to become a specified corporation from a particular day in that year, the corporation ceases to be an exempt corporation at the beginning of the taxation year that follows the particular year and, as the case may be,

i. the qualified centre is a biotechnology development centre,

(1) a business carried on by the corporation in that centre, if the given time occurs before the acquisition of control or the particular day, or

(2) the part of a business carried on by the corporation in that centre that may reasonably be attributed to the carrying out of a specified activity, in any other case, or

ii. the qualified centre is not a biotechnology development centre and the given time occurs before the acquisition of control or the particular day, a business carried on by the corporation in that centre.”

(2) Subsection 1 has effect from 12 May 2004. However, when subparagraph *c* of the first paragraph of section 1029.8.36.0.25.0.1 of the Act

applies in respect of any given time that occurs before 31 March 2004, it reads as follows:

“(c) if, following an acquisition of control referred to in subparagraph *f* of the first paragraph of section 771.13 that occurs in the particular year or an election made under subparagraph *g* of that paragraph to become a specified corporation from a particular day in that year, the corporation ceases to be an exempt corporation at the beginning of the taxation year that follows the particular year and the given time occurs before the acquisition of control or the particular day, a business carried on by the corporation in that centre.”

178. (1) Section 1029.8.36.0.29 of the Act is amended by inserting “that the corporation incurred or paid in respect of a qualified property” after “rental expenses”.

(2) Subsection 1 has effect from 22 April 2005.

179. (1) Section 1029.8.36.0.29.1 of the Act is amended by inserting “that the corporation incurred in respect of an eligible facility” after “eligible rental expenses”.

(2) Subsection 1 has effect from 22 April 2005.

180. (1) Sections 1029.8.36.0.36 and 1029.8.36.0.36.1 of the Act are replaced by the following sections:

“1029.8.36.0.36. If, in respect of the acquisition or lease of a qualified property, a person or 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 supply or installation of the qualified property, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the amount of the acquisition costs or rental expenses that a corporation has incurred or paid in respect of the qualified property is, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister, for a taxation year, under section 1029.8.36.0.25, to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for that year.

“1029.8.36.0.36.1. If, in respect of the lease of an eligible facility, a person or 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 supply or setting up of the eligible facility, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the amount of the eligible rental expenses that a corporation has incurred in respect of the

eligible facility is, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister, for a taxation year, under section 1029.8.36.0.25.1, to be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation's filing-due date for that year.”

(2) Subsection 1 has effect from 22 April 2005.

181. (1) Section 1029.8.36.0.72 of the Act is amended by adding “, other than the costs so included under section 180 or 182” at the end of the definition of “acquisition costs” in the first paragraph.

(2) Subsection 1 applies in respect of costs that are included in the capital cost of a property because of an election made after 29 June 2006.

182. (1) Section 1029.8.36.10 of the Act is amended

(1) by replacing “\$50,000,000” in the portion of the first paragraph before the formula by “\$75,000,000”;

(2) by replacing the formula in the first paragraph by the following formula:

“ $30\% - \{[(A - \$50,000,000) \times 15\%] / \$25,000,000\}$.”;

(3) by replacing “\$25,000,000” in the second paragraph by “\$50,000,000”.

(2) Subsection 1 applies in respect of an expenditure incurred after 4 December 2006 for work relating to a design activity or pattern drafting activity carried out after that date.

(3) For the purposes of subsection 2, when the amount of an expenditure that consists in the wages of a designer or of a patternmaker that a person or partnership incurs during a particular period of a taxation year is limited to \$60,000 or to \$40,000 because of subparagraph ii or iii of subparagraph *a* of the first paragraph of section 1029.8.36.5 or 1029.8.36.6 of the Act or subparagraph ii of subparagraph *a* or *b* of the first paragraph of section 1029.8.36.7 or 1029.8.36.7.1 of the Act, as the case may be, or to a lesser amount because of the fifth paragraph of that section, and the particular period is included in a taxation year that ends after 4 December 2006 and includes that date, the portion of the designer's or patternmaker's wages that is incurred after 4 December 2006 for work relating to a design activity or pattern drafting activity carried out after that date is deemed to be equal to the amount by which \$60,000 or \$40,000, as the case may be, or that lesser amount, exceeds the portion of the expenditure incurred as wages in respect of the designer or patternmaker by the person or partnership in that particular period for work relating to a design activity or a pattern drafting activity carried out in Québec before 5 December 2006 that exceeds the amount of any contract payment, government assistance and non-government assistance

attributable to such wages, that the person or partnership has received, is entitled to receive or may reasonably expect to receive, on or before the person's or partnership's filing-due date for that taxation year.

183. Section 1029.8.36.16 of the Act is amended, in the first paragraph,

(1) by replacing “issued by the Minister of Economic Development, Innovation and Export Trade” in the portion before subparagraph *a* by “that was issued”;

(2) by replacing “the certificate was issued” in subparagraph *a* by “the revocation becomes effective”.

184. (1) The Act is amended by inserting the following after section 1029.8.36.53.9:

“DIVISION II.6.4.2

“CREDIT FOR THE ACQUISITION OF PIG MANURE TREATMENT FACILITIES

“§1. — *Interpretation and general*

“1029.8.36.53.10. In this division,

“eligible expenses” of an eligible taxpayer for a taxation year or of a partnership for a fiscal period, in respect of an eligible facility, means the aggregate of expenses that are directly attributable to the acquisition and installation of the eligible facility and that are incurred by the taxpayer in the taxation year or by the partnership in the fiscal period,

(*a*) after 23 March 2006 and before 1 April 2010; or

(*b*) after 31 March 2010 and before 1 April 2011, if

i. the expenses are incurred pursuant to the application for a qualification certificate, in relation to the eligible facility, filed with the Minister of Agriculture, Fisheries and Food before 1 April 2010, and

ii. the installation of the eligible facility began before 1 April 2010;

“eligible facility” relating to a farming establishment means a facility to be installed in the farming establishment and in respect of which the Minister of Agriculture, Fisheries and Food has issued a qualification certificate for the purposes of this division;

“eligible taxpayer” means an individual or corporation, other than an excluded corporation;

“excluded corporation” for a taxation year means a corporation that is exempt from tax for the year under Book VIII or that would be exempt from tax for the year under section 985, but for section 192.

The expenses described in the definition of “eligible expenses” in the first paragraph do not include the expenses in respect of which an election is made under section 180 or 182 after 29 June 2006.

For the purposes of this division, the share of a member of a partnership of an amount for a fiscal period is equal to the proportion of that amount that the member’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.

“§2. — *Credit*

“1029.8.36.53.11. An eligible taxpayer that, in a taxation year, carries on a farming business in Québec and is recognized as a pig producer by the Minister of Agriculture, Fisheries and Food, and that encloses the documents described in the third paragraph with the fiscal return the taxpayer is required to file for the year under section 1000, or would be so required to file if the taxpayer had tax payable for the year under this Part, is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer’s balance-due day for the year, on account of the taxpayer’s tax payable for the year under this Part, an amount equal to 30% of the aggregate of all amounts each of which is the amount of the taxpayer’s eligible expenses for the year in respect of an eligible facility relating to a farming establishment of the taxpayer, to the extent that those expenses have been paid.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, 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 taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer’s tax payable for the year under this Part and of the taxpayer’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 that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

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 qualification certificate issued, in relation to an eligible facility referred to in the first paragraph, by the Minister of Agriculture, Fisheries and Food for the purposes of this division.

“1029.8.36.53.12. If, in a fiscal period, a partnership carries on a farming business in Québec and is recognized as a pig producer by the Minister of Agriculture, Fisheries and Food, each eligible taxpayer that is a member of the partnership at the end of the fiscal period and that encloses the documents described in the third paragraph with the fiscal return the taxpayer is required to file under section 1000 for the taxpayer’s taxation year in which the fiscal period ends, or would be so required to file if the taxpayer had tax payable for the year under this Part, is deemed, subject to the second paragraph, to have paid to the Minister on the taxpayer’s balance-due day for the year, on account of the taxpayer’s tax payable for the year under this Part, an amount equal to 30% of the taxpayer’s share of the aggregate of all amounts each of which is the amount of the partnership’s eligible expenses for the fiscal period in respect of an eligible facility relating to a farming establishment of the partnership, to the extent that those expenses have been paid.

For the purpose of computing the payments that a taxpayer is required to make under section 1025 or 1026, 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 taxpayer is deemed to have paid to the Minister, on account of the aggregate of the taxpayer’s tax payable for the year under this Part and of the taxpayer’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 that amount that may reasonably be considered to be deemed to have been paid to the Minister under this paragraph in the year but before that date; and

(b) the amount by which the amount of that payment, determined without reference to this chapter, exceeds the aggregate of all amounts each of which is an amount that is deemed, under this chapter but otherwise than under the first paragraph, to have been paid to the Minister on that date, for the purpose of computing that payment.

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 qualification certificate issued, in relation to an eligible facility referred to in the first paragraph, by the Minister of Agriculture, Fisheries and Food for the purposes of this division.

“1029.8.36.53.13. For the purposes of this division, the amount that an eligible taxpayer is deemed to have paid to the Minister for a taxation year under this division, in respect of eligible facilities relating to a farming establishment, may not exceed the amount by which \$200,000 exceeds the aggregate of all amounts each of which is an amount otherwise deemed to have been paid to the Minister by an eligible taxpayer under this division, in respect of eligible facilities relating to the farming establishment, for the year or a preceding taxation year.

“1029.8.36.53.14. For the purposes of this division, if the Minister of Agriculture, Fisheries and Food replaces or revokes a certificate issued to an eligible taxpayer or a partnership, in respect of an eligible facility, the following rules apply:

(a) the replaced certificate is null from the time it was issued or deemed issued, and the new certificate is deemed to have been issued at that time; and

(b) the revoked certificate is null from the time the revocation becomes effective.

The revoked certificate referred to in the first paragraph is deemed not to have been issued as of the effective date specified in the notice of revocation.

“§3. — Government assistance, non-government assistance and other particulars

“1029.8.36.53.15. For the purpose of computing the amount that is deemed to have been paid to the Minister by a taxpayer, for a taxation year, under section 1029.8.36.53.11 or 1029.8.36.53.12, the following rules apply:

(a) the amount of the eligible expenses referred to in the first paragraph of section 1029.8.36.53.11 is to be reduced, where applicable, by the amount of any government assistance or non-government assistance attributable to the expenses that the taxpayer has received, is entitled to receive or may reasonably expect to receive, on or before the taxpayer’s filing-due date for the year; and

(b) the taxpayer’s share of the eligible expenses of a partnership, referred to in the first paragraph of section 1029.8.36.53.12, for a fiscal period of the partnership that ends in the taxation year is to be reduced, where applicable,

i. by the taxpayer’s share, for the fiscal period, of any amount of government assistance or non-government assistance attributable to the expenses that the partnership has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of any government assistance or non-government assistance attributable to the expenses that the taxpayer has received, is entitled to receive or may reasonably expect to receive, on or before the taxpayer’s filing-due date for the year.

“1029.8.36.53.16. If, in respect of eligible expenses of an eligible taxpayer or of a particular partnership, a person or 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 or installation of the eligible facility to which the eligible expenses relate, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.36.53.11, the amount of the eligible expenses referred to in the first paragraph of that section is to be reduced by the amount of the benefit or advantage relating to the eligible expenses that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the taxpayer’s filing-due date for the taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.53.12 by a taxpayer that is a member of the particular partnership, the taxpayer’s share, referred to in the first paragraph of that section, for a fiscal period of the partnership that ends in the taxation year, of the amount of the eligible expenses, is to be reduced

i. by the taxpayer’s share, for the fiscal period, of the amount of the benefit or advantage relating to the eligible expenses that the person or partnership, other than a person referred to in subparagraph ii, has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period, and

ii. by the amount of the benefit or advantage relating to the eligible expenses that the taxpayer or a person with whom the taxpayer is not dealing at arm’s length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the fiscal period.

“1029.8.36.53.17. If, before 1 April 2013, an eligible taxpayer pays, in a taxation year, in this section referred to as the “repayment year”, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of paragraph *a* of section 1029.8.36.53.15, the taxpayer’s eligible expenses for a particular taxation year for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.53.11, the taxpayer is deemed, if the taxpayer encloses the prescribed form with the fiscal return the taxpayer is required to file for the repayment year under section 1000, or would be so required to file if the taxpayer had tax payable for the repayment year under this Part, to have paid to the Minister on the taxpayer’s balance-due day for the repayment year, on account of the taxpayer’s tax payable for that year under this Part, an amount equal to the amount by which the amount that the

taxpayer would be deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.53.11, in respect of the eligible expenses, if any amount of such assistance so repaid at or before the end of the repayment year had reduced, for the particular taxation year, the amount of any government assistance or non-government assistance referred to in paragraph *a* of section 1029.8.36.53.15, exceeds the aggregate of

(*a*) the amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.36.53.11 for the particular taxation year in respect of the eligible expenses; and

(*b*) any amount that the taxpayer is deemed to have paid to the Minister under this section for a taxation year preceding the repayment year in respect of an amount of repayment of that assistance.

“1029.8.36.53.18. If, before 1 April 2013, a partnership pays, in a fiscal period, in this section referred to as the “fiscal period of repayment”, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph *i* of paragraph *b* of section 1029.8.36.53.15, an eligible taxpayer’s share of the eligible expenses of the partnership for a particular fiscal period, for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.36.53.12, in respect of the share, for the taxpayer’s taxation year in which the particular fiscal period ended, the taxpayer is deemed to have paid to the Minister on the taxpayer’s balance-due day for the taxpayer’s taxation year in which the fiscal period of repayment ends, on account of the taxpayer’s tax payable for that year under this Part, if the taxpayer is a member of the partnership at the end of the fiscal period of repayment and if the taxpayer encloses the prescribed form with the fiscal return the taxpayer is required to file for that year under section 1000, or would be so required to file if the taxpayer had tax payable for that taxation year under this Part, an amount equal to the amount by which the particular amount that the taxpayer would be deemed, subject to the second paragraph, to have paid to the Minister under section 1029.8.36.53.12 for the taxpayer’s taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(*a*) the amount that the taxpayer would be deemed to have paid to the Minister under section 1029.8.36.53.12, for the taxpayer’s taxation year in which the particular fiscal period ends, in respect of the eligible expenses of the partnership, if the taxpayer’s share of the income or loss of the partnership for the particular fiscal period and the partnership’s income or loss for that fiscal period were the same as those for the fiscal period of repayment; and

(*b*) any amount that the taxpayer would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the partnership, if the taxpayer’s share of the income or loss of the partnership for the particular fiscal period and the partnership’s

income or loss for that fiscal period were the same as those for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph i of paragraph *b* of section 1029.8.36.53.15; and

(b) the taxpayer's share of the income or loss of the partnership for the particular fiscal period and the partnership's income or loss for that fiscal period were the same as those for the fiscal period of repayment.

“1029.8.36.53.19. If, before 1 April 2013, an eligible taxpayer is a member of a partnership at the end of a fiscal period of the partnership, in this section referred to as the “fiscal period of repayment”, and pays, in the fiscal period of repayment, pursuant to a legal obligation, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, because of subparagraph ii of paragraph *b* of section 1029.8.36.53.15, the taxpayer's share of the eligible expenses of the partnership for a particular fiscal period, for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.36.53.12, in respect of the share, for the taxpayer's taxation year in which the particular fiscal period ended, the taxpayer is deemed to have paid to the Minister on the taxpayer's balance-due day for the taxpayer's taxation year in which the fiscal period of repayment ends, on account of the taxpayer's tax payable for that year under this Part, if the taxpayer encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file for that year under section 1000, or would be so required to file if the taxpayer had tax payable for that year under this Part, an amount equal to the amount by which the particular amount that the taxpayer would be deemed, subject to the second paragraph, to have paid to the Minister under section 1029.8.36.53.12 for the taxpayer's taxation year in which the particular fiscal period ends, in respect of the share, exceeds the aggregate of

(a) the amount that the taxpayer would be deemed to have paid to the Minister under section 1029.8.36.53.12 for the taxpayer's taxation year in which the particular fiscal period ends, in respect of the share, if the taxpayer's share of the income or loss of the partnership for the particular fiscal period and the partnership's income or loss for that fiscal period were the same as those for the fiscal period of repayment; and

(b) any amount that the taxpayer would be deemed to have paid to the Minister under this section for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in respect of an amount of that assistance repaid by the taxpayer, if the taxpayer's share of the income or loss

of the partnership for the particular fiscal period and the partnership's income or loss for that fiscal period were the same as those for the fiscal period of repayment.

The particular amount to which the first paragraph refers is to be computed as if

(a) any amount of assistance repaid at or before the end of the fiscal period of repayment reduced, for the particular fiscal period, the amount of any government assistance or non-government assistance referred to in subparagraph ii of paragraph *b* of section 1029.8.36.53.15; and

(b) the taxpayer's share of the income or loss of the partnership for the particular fiscal period and the partnership's income or loss for that fiscal period were the same as those for the fiscal period of repayment.

“1029.8.36.53.20. For the purposes of sections 1029.8.36.53.17 to 1029.8.36.53.19, an amount of assistance is deemed to be repaid by a taxpayer or partnership at a particular time, pursuant to a legal obligation, if that amount

(a) reduced, because of section 1029.8.36.53.15, eligible expenses or the share of such expenses of a taxpayer that is a member of the partnership, for the purpose of computing the amount that the taxpayer or the taxpayer that is a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.53.11 or 1029.8.36.53.12;

(b) was not received by the taxpayer or partnership; and

(c) ceased at the particular time to be an amount that the taxpayer or partnership may reasonably expect to receive.”

(2) Subsection 1 has effect from 24 March 2006.

185. (1) Section 1029.8.36.54 of the Act is amended

(1) by replacing subparagraph ii of paragraph *a* of the definition of “qualified construction expenditure” in the first paragraph by the following subparagraph:

“ii. any amount paid by the qualified corporation, another person or a partnership, as the case may be, in the year or a preceding taxation year, pursuant to a legal obligation, as a repayment of assistance received by the qualified corporation, the other person or the partnership, to the extent that the assistance reduced, because of subparagraph *a* or *a.1* of the third paragraph, a construction expenditure of the qualified corporation in respect of the eligible vessel in the year or a preceding taxation year; exceeds”;

(2) by replacing subparagraph ii of paragraph *a* of the definition of “qualified conversion expenditure” in the first paragraph by the following subparagraph:

“ii. any amount paid by the qualified corporation, another person or a partnership, as the case may be, in the year or a preceding taxation year, pursuant to a legal obligation, as a repayment of assistance received by the qualified corporation, the other person or the partnership, to the extent that the assistance reduced, because of subparagraph *a* or *a.1* of the third paragraph, a conversion expenditure of the qualified corporation in respect of the eligible vessel in the year or a preceding taxation year; exceeds”;

(3) by replacing “de la définition” in the second paragraph in the French text by “des définitions”;

(4) by inserting the following subparagraph after subparagraph *a* of the third paragraph:

“(a.1) when referred to in subparagraph ii of paragraph *a* or paragraph *c* of the definition of “construction expenditure” or “conversion expenditure” in the first paragraph, the amount of a portion of a consideration paid in respect of a construction expenditure or a conversion expenditure of a qualified corporation for a taxation year in respect of an eligible vessel, is to be reduced, where applicable, by the amount of any government assistance or non-government assistance that is attributable to the salaries or wages incurred in respect of the employees of an establishment of a person or partnership situated in Québec that are referred to in that subparagraph ii or that paragraph *c*, or that would be so attributable if the person or partnership had such employees, and that the person or partnership has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that year;”;

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

“For the purposes of subparagraph ii of paragraph *a* of the definitions of “qualified construction expenditure” and “qualified conversion expenditure” in the first paragraph, an amount of assistance received by a qualified corporation, a person or a partnership, as the case may be, is deemed to be repaid by the qualified corporation, person or partnership in a taxation year, pursuant to a legal obligation, if that amount

(a) reduced, because of subparagraph *a* or *a.1* of the third paragraph, the amount of the salaries or wages incurred, of a portion of a consideration paid or of a portion of the cost of a contract incurred, as the case may be, in respect of a construction expenditure or a conversion expenditure of a qualified corporation, for the purpose of computing the amount the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.55 or 1029.8.36.55.1;

(b) was not received by the qualified corporation, the other person or the partnership; and

(c) ceased in the taxation year to be an amount that the qualified corporation, the other person or the partnership may reasonably expect to receive.”

(2) Paragraphs 1, 2 and 4 of subsection 1 apply in respect of assistance received or to be received after 23 March 2006.

(3) Paragraphs 3 and 5 of subsection 1 have effect from 24 March 2006.

186. (1) Section 1029.8.36.55 of the Act is amended by replacing subparagraphs *a* and *b* of the second paragraph by the following subparagraphs:

“(a) the amount by which the portion of the cost to the qualified corporation of construction of the eligible vessel incurred at the end of the year exceeds the aggregate of all amounts each of which is

i. government assistance or non-government assistance attributable to the cost of construction that the qualified corporation or a person or partnership with whom or with which the qualified corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation’s filing-due date for that year, or

ii. an apparent payment, attributable to the cost of construction, that the qualified corporation or a person with whom it is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation’s filing-due date for that year; and

“(b) any repayment made by the qualified corporation, the person or the partnership in the year or a preceding taxation year, pursuant to a legal obligation, of assistance described in subparagraph *a* in respect of the eligible vessel.”

(2) Subsection 1 applies in respect of assistance received or to be received after 23 March 2006.

187. (1) Section 1029.8.36.55.1 of the Act is amended by replacing subparagraphs *a* and *b* of the second paragraph by the following subparagraphs:

“(a) the amount by which the portion of the cost to the qualified corporation of conversion of the eligible vessel incurred at the end of the year exceeds the aggregate of all amounts each of which is

i. government assistance or non-government assistance attributable to the cost of conversion that the qualified corporation or a person or partnership with whom or with which the qualified corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation’s filing-due date for that year, or

ii. an apparent payment, attributable to the cost of conversion, that the qualified corporation or a person with whom it is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation’s filing-due date for that year; and

“(b) any repayment made by the qualified corporation, the person or the partnership in the year or a preceding taxation year, pursuant to a legal obligation, of assistance described in subparagraph *a* in respect of the eligible vessel.”

(2) Subsection 1 applies in respect of assistance received or to be received after 23 March 2006.

188. Section 1029.8.36.56 of the Act is amended by replacing “issued by the Minister of Economic Development, Innovation and Export Trade” in the portion of the first paragraph before subparagraph *a* by “that was issued”.

189. (1) Section 1029.8.36.58 of the Act is replaced by the following section:

“1029.8.36.58. If, in respect of the construction or conversion of an eligible vessel, a person or 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 preparation of the plans and specifications relating to the vessel or to construction work or conversion work in respect of the vessel, whether in the form of a reimbursement, compensation or guarantee, in the form of proceeds of disposition of a property which exceed the fair market value of the property, or in any other form or manner, the amount of the salaries or wages incurred, of a portion of a consideration paid or of a portion of the cost of a contract incurred, as the case may be, in respect of the construction expenditure or of the conversion expenditure of a qualified corporation for a taxation year, in respect of the eligible vessel, and the cost of construction or cost of conversion, as the case may be, to the corporation of that eligible vessel for that year, are, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for that year under section 1029.8.36.55 or 1029.8.36.55.1, to be reduced by the amount of the benefit or advantage attributable to the salaries or wages, to the portion of a consideration or to the portion of the cost of a contract, as the case may be, and to the cost of construction or cost of conversion, as the case may be, that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for that year.”

(2) Subsection 1 applies in respect of a benefit or advantage that is obtained or to be obtained after 21 April 2005.

190. (1) Section 1029.8.36.59.15 of the Act is amended by replacing “on or before its filing-due date for the year” in subparagraph ii of subparagraph *b* of the first paragraph by “on or before the day that is six months after the end of the fiscal period”.

(2) Subsection 1 has effect from 22 April 2005.

191. (1) Section 1029.8.36.72.92 of the Act is amended by replacing “subject to the third and fourth paragraphs” in the portion of the first paragraph before subparagraph *a* by “subject to the fourth and fifth paragraphs”.

(2) Subsection 1 has effect from 6 December 2006.

192. (1) Section 1029.8.36.171.4 of the Act is amended

(1) by inserting “the taxation year and in” after “throughout” in the second paragraph;

(2) by inserting “before that time” after “services in the course of carrying on that business” in the third paragraph.

(2) Subsection 1 applies in respect of eligible expenses incurred after 20 August 2002.

193. (1) Section 1029.8.36.172 of the Act is amended by replacing “on or before its filing-due date for the year” in subparagraph ii of subparagraph *b* of the first paragraph by “on or before the day that is six months after the end of the fiscal period”.

(2) Subsection 1 has effect from 22 April 2005.

194. (1) Section 1029.8.36.172.1 of the Act is amended by adding the following paragraph after the second paragraph:

“If, in respect of the eligible expenses referred to in the first paragraph, a person other than the corporation, or a partnership other than the partnership of which the corporation is a member, has obtained, at a particular time after 21 April 2005, a benefit or advantage that would have reduced those expenses in accordance with section 1029.8.36.177 if the person or partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the corporation’s filing-due date for the particular preceding taxation year, or on or before the day that is six months after the end of the fiscal period of the partnership of which the corporation is a member that ended in the particular preceding taxation year, the benefit or advantage is, for the purposes of the first and second paragraphs,

(*a*) if those expenses were incurred by the corporation, deemed to be an amount that is paid to the corporation at that time; or

(*b*) if those expenses were incurred by the partnership of which the corporation is a member, deemed to be

i. an amount that is paid to that partnership at that time, when that benefit or advantage has been obtained by another partnership or by a person other than the person referred to in subparagraph ii, or

ii. an amount that is paid to the corporation at that time, when that benefit or advantage has been obtained by a person with whom the corporation does not deal at arm's length."

(2) Subsection 1 has effect from 22 April 2005.

195. (1) Section 1029.8.61.1 of the Act is amended, in the first paragraph,

(1) by replacing paragraph *a* of the definition of "eligible expense" by the following paragraph:

"(a) in the case of a service rendered or to be rendered by an employee of an eligible individual, to the aggregate of

- i. the salary or wages of the employee in respect of the service,
- ii. each of the amounts payable in respect of the employee in relation to the salary or wages referred to in subparagraph i under any of

(1) section 59 of the Act respecting parental insurance (chapter A-29.011),

(2) section 34 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5),

(3) section 52 of the Act respecting the Québec Pension Plan (chapter R-9),
or

(4) section 68 of the Employment Insurance Act (Statutes of Canada, 1996, chapter 23), and

iii. the expenses paid for a payroll processing service for the payment of the salary or wages referred to in subparagraph i; or";

(2) by replacing the definition of "dependant" by the following definition:

"“dependant” of an eligible individual, at any time, means a person who is dependent on the eligible individual if, at that time, that person is, in respect of the eligible individual, a child or any other person related to the eligible individual by blood, marriage or adoption who ordinarily lives with the eligible individual;”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 2007.

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

196. (1) Section 1029.8.61.4 of the Act is amended

(1) by replacing "specific certificate of competence" in paragraph *c* by "licence";

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

“(f) a service consisting in completing a fiscal form, unless the form is one of the forms referred to in section 1029.8.61.6.”

(2) Paragraph 2 of subsection 1 applies from the taxation year 2007.

197. (1) Section 1029.8.61.5 of the Act is amended by striking out the fourth paragraph.

(2) Subsection 1 applies in respect of a payment to be made at the latest on a day that is subsequent to 31 December 2006.

198. (1) Section 1029.8.61.6 of the Act is amended by striking out the third paragraph.

(2) Subsection 1 applies in respect of a payment to be made at the latest on a day that is subsequent to 31 December 2006.

199. (1) Section 1029.8.61.7 of the Act is amended

(1) by striking out “en vertu” after “983 ou” in the French text;

(2) by inserting “and *f*” after “any of subparagraphs *a* to *d*”.

(2) Paragraph 2 of subsection 1 applies to a taxation year in relation to which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007.

200. (1) Section 1029.8.61.8 of the Act is amended by inserting “and *f*” after “any of subparagraphs *a* to *d*” in paragraphs *c* and *d* of the definition of “eligible individual”.

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

201. (1) Section 1029.8.61.29 of the Act is amended by replacing “under section 102 of the Act respecting income support, employment assistance and social solidarity (chapter S-32.001)” by “under section 90 of the Individual and Family Assistance Act (2005, chapter 15)”.

(2) Subsection 1 has effect from 1 January 2007.

202. (1) Section 1029.8.61.36 of the Act is amended by replacing “provided for in the Act respecting income support, employment assistance and social solidarity (chapter S-32.001)” in the second paragraph by “provided for in the Individual and Family Assistance Act (2005, chapter 15)”.

(2) Subsection 1 has effect from 1 January 2007.

203. (1) Section 1029.8.61.67 of the Act is replaced by the following section:

“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 or II of Title II of the Individual and Family Assistance Act (2005, chapter 15), 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 75 of the Individual and Family Assistance Regulation made by Order in Council 1073-2006 (2006, G.O. 2, 3877), as amended.”

(2) Subsection 1 applies from the taxation year 2007.

204. (1) Section 1029.8.61.68 of the Act is amended by replacing “any of subparagraphs *a* to *d*” by “under any of subparagraphs *a* to *d* and *f*”.

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

205. (1) Section 1029.8.65 of the Act is amended

(1) by replacing “des articles 982 ou 983” in the French text by “de l’un des articles 982 et 983”;

(2) by inserting “and *f*” after “any of subparagraphs *a* to *d*”.

(2) Paragraph 2 of subsection 1 applies to a taxation year in relation to which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007.

206. (1) Section 1029.8.66.4 of the Act is amended

(1) by striking out “en vertu” after “983 ou” in the French text;

(2) by inserting “and *f*” after “any of subparagraphs *a* to *d*”.

(2) Paragraph 2 of subsection 1 applies to a taxation year in relation to which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007.

207. (1) Section 1029.8.67 of the Act is amended by inserting “, paragraph *i* of section 312” after “or bursary” in paragraph *b* of the definition of “earned income”.

(2) Subsection 1 applies from the taxation year 2007.

208. (1) Section 1029.8.81 of the Act is amended

(1) by replacing “des articles 982 ou 983” by “de l’un des articles 982 et 983” in the French text;

(2) by inserting “and *f*” after “any of subparagraphs *a* to *d*”.

(2) Paragraph 2 of subsection 1 applies to a taxation year in relation to which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007.

209. (1) Section 1029.8.105.1 of the Act is replaced by the following section:

“**1029.8.105.1.** The aggregate of all amounts each of which is an amount that an eligible individual is deemed to have paid to the Minister during a month specified for a taxation year under section 1029.8.105 is to be reduced by the aggregate of all amounts each of which is the portion of a last resort financial assistance benefit received in the year by the eligible individual or, as the case may be, the eligible individual’s eligible spouse for the year, under Chapter I or II of Title II of the Individual and Family Assistance Act (2005, chapter 15), that is attributable to the amount of the increase to account for the advance Québec sales tax credit provided for in section 66 of the Individual and Family Assistance Regulation made by Order in Council 1073-2006 (2006, G.O. 2, 3877), as it read at the time of its application.”

(2) Subsection 1 applies from the taxation year 2007.

210. (1) Section 1029.8.107 of the Act is amended by inserting “and *f*” after “any of subparagraphs *a* to *d*”.

(2) Subsection 1 applies to a taxation year in relation to which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007.

211. (1) Section 1029.8.116.8 of the Act is amended by replacing the second paragraph by the following paragraph:

“For the purposes of subparagraph *b* of the first paragraph, where custody of a person is shared under an order or judgment of a competent tribunal or, if there is no such order or judgment, under a written agreement, that person is considered to ordinarily reside with the eligible individual during a taxation year, when the eligible individual or the eligible individual’s eligible spouse

for the year has custody of the person, only if, pursuant to the order, judgment or written agreement, as the case may be, the period of the year during which the eligible individual or the eligible spouse must exercise custody of that person represents at least 40% of the year.”

(2) Subsection 1 applies from the taxation year 2008. In addition, when the second paragraph of section 1029.8.116.8 of the Act applies

(1) to the taxation year 2007, it reads as if “40%” was replaced by “35%”;

(2) to the taxation years 2005 and 2006, it reads as follows:

“For the purposes of subparagraph *b* of the first paragraph, where custody of a person is shared under an order or judgment of a competent tribunal or under a written agreement, that person is considered to ordinarily reside, during a taxation year, with the eligible individual, when the eligible individual or the eligible individual’s eligible spouse for the year has custody of the person, only if, pursuant to the order, judgment or written agreement, as the case may be, the period of the year during which the eligible individual or the eligible spouse must exercise custody of that person represents at least 30% of the year.”

212. (1) Section 1029.8.116.10 of the Act is amended

(1) by striking out “en vertu” after “983 ou” in the French text;

(2) by inserting “and *f*” after “any of subparagraphs *a* to *d*”.

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

213. (1) Section 1029.8.121 of the Act is amended

(1) by striking out “en vertu” after “983 ou” in the French text;

(2) by inserting “and *f*” after “any of subparagraphs *a* to *d*”.

(2) Paragraph 2 of subsection 1 applies to a taxation year in relation to which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007.

214. (1) Section 1029.8.125 of the Act is amended

(1) by striking out “en vertu” after “983 ou” in the French text;

(2) by inserting “and *f*” after “any of subparagraphs *a* to *d*”.

(2) Paragraph 2 of subsection 1 applies to a taxation year in relation to which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007.

215. (1) Section 1038 of the Act is amended

(1) by replacing “lesser” in the portion of the second paragraph before subparagraph *a* by “least”;

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

“(a) the amount by which the tax payable by the individual for the particular year, determined without reference to the specified tax consequences for the particular year, exceeds the aggregate of

i. the aggregate of all amounts deducted or withheld under section 1015 in respect of the individual’s income for the particular year,

ii. the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3.0.1, II.5.1, II.5.2, II.6.4 to II.6.4.2, II.6.5.1, II.6.5.2, II.6.5.4, II.11.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, and II.17.1 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies, and

iii. the amount by which the amount the individual is deemed under Division II.11.1 of Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year exceeds the individual’s tax payable for the particular year under Part I.3;

“(b) the individual’s basic provisional account, established in accordance with the regulations made under section 1025, for the preceding taxation year, reduced by the aggregate of

i. the aggregate of all amounts deducted or withheld under section 1015 in respect of the individual’s income for the preceding taxation year,

ii. the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3.0.1, II.5.1, II.5.2, II.6.4 to II.6.4.2, II.6.5.1, II.6.5.2, II.6.5.4, II.11.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, and II.17.1 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies, and

iii. the amount by which the amount the individual is deemed under Division II.11.1 of Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year exceeds the individual’s tax payable for the particular year under Part I.3; and”;

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

“(a) the amount by which the total, on the one hand, of the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3.0.1, II.5.1, II.5.2, II.6.4 to II.6.4.2, II.6.5.1, II.6.5.2, II.6.5.4, II.11.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, and II.17.1 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies, and, on the other hand, of the amount by which the amount the individual is deemed under Division II.11.1 of that chapter to have paid to the Minister on account of the individual’s tax payable for the particular year exceeds the individual’s tax payable for the particular year under Part I.3, is exceeded by any of the following amounts:”.

(2) Paragraphs 2 and 3 of subsection 1 apply in respect of a payment to be made on or before a day included in a taxation year that is subsequent to the taxation year 2001. However, when section 1038 of the Act applies in respect of a payment to be made

(1) on or before a day that is prior to 12 March 2003,

(a) subparagraphs *a* and *b* of the second paragraph of that section read as follows:

“(a) the amount by which the tax payable by the individual for the particular year, determined without reference to the specified tax consequences for the particular year, exceeds the aggregate of all amounts deducted or withheld under section 1015 in respect of the individual’s income for the particular year and all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3, II.5.1, II.5.2, II.6.4, II.6.4.1, II.6.5.1 and II.6.5.2 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies;

“(b) the individual’s basic provisional account, established in accordance with the regulations made under section 1025, for the preceding taxation year, reduced by the aggregate of all amounts deducted or withheld under section 1015 in respect of the individual’s income for the preceding taxation year and all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3, II.5.1, II.5.2, II.6.4, II.6.4.1, II.6.5.1 and II.6.5.2 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies; and”;

(b) the portion of subparagraph *a* of the third paragraph of that section before subparagraph *i* reads as follows:

“(a) the amount by which any of the following amounts exceeds the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3, II.5.1, II.5.2, II.6.4, II.6.4.1, II.6.5.1 and II.6.5.2 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies:”;

(2) on or before a day that is subsequent to 11 March 2003 and prior to 1 January 2005,

(a) subparagraphs *a* and *b* of the second paragraph of that section read as follows:

“(a) the amount by which the tax payable by the individual for the particular year, determined without reference to the specified tax consequences for the particular year, exceeds the aggregate of all amounts deducted or withheld under section 1015 in respect of the individual’s income for the particular year and all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3, II.5.1, II.5.2, II.6.4, II.6.4.1, II.6.5.1, II.6.5.2 and II.6.5.4 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies;

“(b) the individual’s basic provisional account, established in accordance with the regulations made under section 1025, for the preceding taxation year, reduced by the aggregate of all amounts deducted or withheld under section 1015 in respect of the individual’s income for the preceding taxation year and all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3, II.5.1, II.5.2, II.6.4, II.6.4.1, II.6.5.1, II.6.5.2 and II.6.5.4 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies; and”;

(b) the portion of subparagraph *a* of the third paragraph of that section before subparagraph *i* reads as follows:

“(a) the amount by which any of the following amounts exceeds the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3, II.5.1, II.5.2, II.6.4, II.6.4.1, II.6.5.1, II.6.5.2 and II.6.5.4 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies:”;

(3) on or before a day that is subsequent to 31 December 2004 and prior to 24 March 2006,

(a) subparagraph ii of subparagraph *a* of the second paragraph of that section reads as follows:

“ii. the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3, II.5.1, II.5.2, II.6.4, II.6.4.1, II.6.5.1, II.6.5.2, II.6.5.4, II.11.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, and II.17.1 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies;”;

(b) subparagraph *a* of the second paragraph of that section reads without reference to its subparagraph iii;

(c) subparagraph ii of subparagraph *b* of the second paragraph of that section reads as follows:

“ii. the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3, II.5.1, II.5.2, II.6.4, II.6.4.1, II.6.5.1, II.6.5.2, II.6.5.4, II.11.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, and II.17.1 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies; and”;

(d) subparagraph *b* of the second paragraph of that section reads without reference to its subparagraph iii; and

(e) the portion of subparagraph *a* of the third paragraph of that section before subparagraph i reads as follows:

“(a) the amount by which any of the following amounts exceeds the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3, II.5.1, II.5.2, II.6.4, II.6.4.1, II.6.5.1, II.6.5.2, II.6.5.4, II.11.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, and II.17.1 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies:”;

(4) on or before a day that is subsequent to 23 March 2006 and prior to 1 January 2007,

(a) subparagraphs *a* and *b* of the second paragraph of that section read without reference to their subparagraph iii; and

(b) the portion of subparagraph *a* of the third paragraph of that section before subparagraph *i* reads as follows:

“(a) the amount by which any of the following amounts exceeds the aggregate of all amounts the individual is deemed under Chapter III.1 of Title III to have paid to the Minister on account of the individual’s tax payable for the particular year, except any such amounts the individual is deemed to have paid under Divisions II to II.3.0.1, II.5.1, II.5.2, II.6.4 to II.6.4.2, II.6.5.1, II.6.5.2, II.6.5.4, II.11.1, II.13 if tax is payable by the individual for the particular year under Part I.3.2, and II.17.1 of that chapter and section 1029.9.2, and any such amounts in respect of which section 1029.6.0.1.9 applies:”.

216. (1) Section 1044 of the Act is amended by replacing “*c* to *d.1*” in the first paragraph by “*c* to *d.1.0.0.1*”.

(2) Subsection 1 applies to a taxation year that ends after 22 March 2006.

217. (1) Section 1045.0.2 of the Act is repealed.

(2) Subsection 1 applies in respect of a time limit extension that ends after 31 March 2007.

218. (1) Section 1049 of the Act is amended, in the second paragraph,

(1) by replacing “réfère le sous-paragraphe 1° du sous-paragraphe *i* du paragraphe *a* du premier alinéa” in the portion before subparagraph *a* in the French text by “le sous-paragraphe 1° du sous-paragraphe *i* du paragraphe *a* du premier alinéa fait référence”;

(2) by inserting “, other than those provided for in section 130,” after “the aggregate of the amounts” in subparagraph *i* of subparagraph *a*;

(3) by replacing “auxdits” in subparagraph *c* in the French text by “à ces”.

(2) Paragraph 2 of subsection 1 applies in respect of a false statement or omission in a return made or filed after 23 March 2006.

219. (1) Section 1049.14.0.2 of the Act is amended by striking out “common” in the portion before paragraph *a*.

(2) Subsection 1 has effect from 31 March 2004.

220. (1) Section 1052 of the Act is amended by adding the following paragraph after paragraph *e*:

“(f) if an overpayment is determined for a taxation year as a result of information sent by the Government of Canada or of a province, other than Québec, the forty-sixth day following

i. the day on which the Minister receives the information from that government, or

ii. if it precedes the day mentioned in subparagraph i, the day on which the Minister receives the information from the taxpayer.”

(2) Subsection 1 applies in respect of an overpayment refunded as a result of information sent to the Minister of Revenue after 20 December 2006.

221. (1) Section 1053 of the Act is amended by replacing “c to d.1” in the portion before paragraph a by “c to d.1.0.0.1”.

(2) Subsection 1 applies to a taxation year that ends after 22 March 2006.

222. (1) The heading of Part III.0.0.1 of the Act is replaced by the following heading:

“RULES AND DEFINITIONS APPLICABLE TO CERTAIN SPECIAL TAXES”.

(2) Subsection 1 has effect from 22 April 2005.

223. (1) Section 1129.0.0.1 of the Act is amended

(1) by replacing “to III.1.1” in the portion of the first paragraph before the definition of “government assistance” and in the second paragraph by “to III.1.0.5, III.1.1, III.1.1.7”;

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

“In this Part and in Parts III.0.1 to III.2.4, III.6.3, III.6.4, III.7.1 to III.13, III.15 and III.16,

“filing-due date” has the meaning assigned by section 1;

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

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

“taxpayer” has the meaning assigned by section 1.”

(2) Paragraph 1 of subsection 1 has effect from 20 December 2001.

224. (1) The Act is amended by inserting the following sections after section 1129.0.0.1:

“1129.0.0.2. If, at a particular time after 21 April 2005, a person or partnership has obtained a benefit or advantage that, for the purpose of computing an amount that a taxpayer is deemed to have paid to the Minister

for any given taxation year under a particular provision of Chapter III.1 of Title III of Book IX of Part I other than a provision of any of Divisions II.6 to II.6.0.0.5 of that chapter, or deemed to have overpaid to the Minister in relation to any given taxation year, under section 34.1.9 of the Act respecting the Régie de l'assurance maladie du Québec (chapter R-5), would have been taken into account in computing a cost, an expenditure or expenses, or the taxpayer's share of a cost, an expenditure or expenses, if the person or partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the taxpayer's filing-due date for the given taxation year or on or before the day that is six months after the end of the fiscal period of a particular partnership of which the taxpayer is a member that ends in the given taxation year, the benefit or advantage is, for the purposes of the Part among Parts III.0.1 to III.0.3, III.1.0.6 to III.1.7, III.7.1 to III.10.10 and III.12.1 that relates to the particular provision,

(a) if the cost, expenditure or expenses were incurred by the taxpayer, deemed to be an amount relating to the cost, expenditure or expenses that is paid to the taxpayer at that time;

(b) if the cost, expenditure or expenses were incurred by the particular partnership, deemed to be

i. an amount relating to the cost, expenditure or expenses that is paid to the particular partnership at that time, when the benefit or advantage was obtained by a partnership or by a person other than a person referred to in subparagraph ii, or

ii. an amount relating to the cost, expenditure or expenses or relating to the taxpayer's share of the cost, expenditure or expenses that is paid to the taxpayer at that time, when the benefit or advantage was obtained by the taxpayer or by a person with whom the taxpayer does not deal at arm's length; and

(c) if the cost, expenditure or expenses were incurred by any corporation other than the taxpayer, deemed to be an amount relating to the cost, expenditure or expenses that is paid to the corporation at that time.

However, when the first paragraph applies to any of the Parts mentioned in the following subparagraphs, it is to be read as if

(a) in the case of Part III.0.1, the portion before subparagraph *a* was read without reference to "or on or before the day that is six months after the end of the fiscal period of a particular partnership of which the taxpayer is a member that ends in the given taxation year";

(b) in the case of any of Parts III.0.1, III.7.1 and III.10.2, subparagraph *b* was replaced by the following subparagraph:

“(b) if the cost, expenditure or expenses were incurred by the particular partnership, deemed to be an amount relating to the cost, expenditure or expenses that is paid to the particular partnership at that time; and”;

(c) in the case of Part III.10.2, subparagraph *c* was replaced by the following subparagraph:

“(c) if the cost, expenditure or expenses were incurred by a person other than the taxpayer or by a partnership other than the particular partnership, deemed to be an amount relating to the cost, expenditure or expenses that is paid to the person or partnership at that time.”

“1129.0.0.3. If, at a particular time after 21 April 2005, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage that, for the purpose of computing an amount that a taxpayer is deemed to have paid to the Minister for any given taxation year under a particular provision of any of Divisions II.6 to II.6.0.0.5 of Chapter III.1 of Title III of Book IX of Part I, would have been taken into account in computing an expenditure or expenses if the person or partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the taxpayer’s filing-due date for the given taxation year, the benefit or advantage is deemed, for the purposes of the Part among Parts III.1 to III.1.0.5 that relates to the particular provision, to be non-government assistance that the taxpayer has received, is entitled to receive or may reasonably expect to receive, as the case may be, at that particular time.

“1129.0.0.4. If, at a particular time after 21 April 2005, a person or partnership pays, pursuant to a legal obligation, a particular amount that may reasonably be considered to be the repayment of a benefit or advantage that, for the purpose of computing an amount, in this section referred to as the “credit amount”, that a taxpayer is deemed to have paid to the Minister for any given taxation year under a particular provision of any of Divisions II.6.0.1.7 and II.6.6.1 to II.6.7, as that Division II.6.7 read before being repealed, of Chapter III.1 of Title III of Book IX of Part I, was taken into account in computing an expenditure or the taxpayer’s share of an expenditure, the following rules have effect, where applicable, for the purposes of the Part among Parts III.1.1.7 and III.10.1.2 to III.10.2 that relates to the particular provision:

(a) if the expenditure was incurred by the taxpayer, the provision of that Part that applies in respect of the repayment by the taxpayer of an amount of government assistance or non-government assistance relating to the expenditure also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the taxpayer at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the expenditure, was received by the taxpayer;

(b) if the expenditure was incurred by a particular partnership of which the taxpayer is a member, the provision of that Part that applies in respect of the repayment by the partnership of an amount of government assistance or non-government assistance relating to the expenditure also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the particular partnership at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the expenditure, was received by the particular partnership;

(c) if the expenditure was incurred by any corporation other than the taxpayer, the provision of that Part that applies in respect of the repayment by the corporation of an amount of government assistance or non-government assistance relating to the expenditure also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the corporation at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the expenditure, was received by the corporation; and

(d) the assumptions that, because of the application of any of subparagraphs *a* to *c*, were made in respect of the benefit or advantage must be taken into account for the purpose of applying, in relation to the taxpayer, the provision to which that subparagraph refers, in respect of the repayment, after that time, of government assistance or non-government assistance or of another benefit or advantage, relating to the expenditure or to such an expenditure.

However, for the purposes of Part III.10.2, subparagraph *c* of the first paragraph is to be read as follows:

“(c) if the expenditure was incurred by a person other than the taxpayer or by a partnership other than the particular partnership to which subparagraph *b* refers, the provision of that Part that applies in respect of the repayment by the person or partnership of an amount of government assistance or non-government

assistance relating to the expenditure also applies in respect of the repayment of the benefit or advantage as if

i. the particular amount were an amount paid by the person or partnership at that time, pursuant to a legal obligation, as the repayment of non-government assistance referred to in that provision, and

ii. for the purpose of computing the credit amount for the given taxation year, the benefit or advantage had not been treated as a benefit or advantage but as non-government assistance that, in relation to the expenditure, was received by the person or partnership.”

For the purposes of sections 1129.0.0.2 to 1129.0.0.4, “person” has the meaning assigned by section 1.

“1129.0.0.5. Unless otherwise provided, sections 6 and 17 to 21 apply, with the necessary modifications, to this Part.

“1129.0.0.6. In every provision of Parts III.1.1, III.1.1.1, III.7.1, III.8 and III.10.2, a reference to any of the repealed divisions of Chapter III.1 of Title III of Book IX of Part I, or to any section of those divisions, is a reference to that division or to that section, as the case may be, as it read for the taxation year concerned.”

(2) Subsection 1, when it enacts sections 1129.0.0.2 to 1129.0.0.5 of the Act, has effect from 22 April 2005. However, when section 1129.0.0.4 of the Act applies before 7 November 2007, it reads as if the third paragraph was replaced by the following paragraph:

“For the purposes of sections 1129.0.0.2 to 1129.0.0.4,

“filing-due date” has the meaning assigned by section 1;

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

“person” has the meaning assigned by section 1;

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

“taxpayer” has the meaning assigned by section 1.”

225. (1) Section 1129.0.1 of the Act is amended

(1) by striking out the definition of “taxation year”;

(2) by striking out the definition of “taxpayer”;

(3) by replacing “section 1029.8.9.1” in the definition of “qualified expenditure” by “section 1029.8.9.1 or 1029.8.16.1.1”;

(4) by striking out the definition of “fiscal period”;

(5) by striking out the definition of “Minister”.

(2) Paragraph 3 of subsection 1 has effect from 24 March 2006.

226. (1) Section 1129.0.8 of the Act is amended

(1) by replacing “under section 1029.8.10” in the first paragraph by “under section 1029.8.10 or 1029.8.16.1.4”;

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

“The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister under section 1029.8.10 or 1029.8.16.1.4, in relation to the agreement, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under either of those sections, in relation to the agreement, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to a qualified expenditure made by the taxpayer in respect of the agreement, were refunded, paid or allocated in the taxation year in which the scientific research and experimental development to which the expenditure relates was undertaken; and”.

(2) Subsection 1 has effect from 24 March 2006.

227. (1) Section 1129.0.9 of the Act is amended

(1) by replacing “under section 1029.8.11” in the first paragraph and in the portion of the second paragraph before subparagraph *a* by “under section 1029.8.11 or 1029.8.16.1.5”;

(2) by replacing “under that section” in the portion of subparagraph *a* of the second paragraph before subparagraph *i* by “under either of those sections”.

(2) Subsection 1 has effect from 24 March 2006.

228. (1) Section 1129.0.10.1 of the Act is amended, in the first paragraph,

(1) by striking out the definition of “taxation year”;

(2) by striking out the definition of “taxpayer”;

(3) by replacing “section 1029.8.9.1” in the definition of “qualified expenditure” by “section 1029.8.9.1 or 1029.8.16.1.1”;

(4) by striking out the definition of “fiscal period”;

(5) by striking out the definition of “Minister”.

(2) Paragraph 3 of subsection 1 has effect from 24 March 2006.

229. (1) Section 1129.0.10.4 of the Act is amended

(1) by replacing “under section 1029.8.10” in the portion of the first paragraph before subparagraph *a* by “under section 1029.8.10 or 1029.8.16.1.4”;

(2) by replacing “under Division II.3” in subparagraph *c* of the first paragraph and in subparagraph *a* of the second paragraph by “under Division II.3 or II.3.0.1”.

(2) Subsection 1 has effect from 24 March 2006.

230. (1) Section 1129.0.10.5 of the Act is amended

(1) by replacing “under section 1029.8.11” in the portion of the first paragraph before subparagraph *a* by “under section 1029.8.11 or 1029.8.16.1.5”;

(2) by replacing “under Division II.3” in subparagraph *c* of the first paragraph and in subparagraph *a* of the second paragraph by “under Division II.3 or II.3.0.1”.

(2) Subsection 1 has effect from 24 March 2006.

231. (1) Section 1129.0.10.7 of the Act is replaced by the following section:

“1129.0.10.7. Sections 1129.0.10.2 to 1129.0.10.5, 1129.0.10.8 and 1129.0.10.9 do not apply to a taxpayer or partnership, in this section referred to as the “transferor”, that disposes of a property to a person or partnership that does not deal at arm’s length with the transferor, if the person or partnership acquired the property in circumstances where the cost of the property to the person or partnership would have been an expenditure described in subparagraph iii of subparagraph *b* or *c* of the first paragraph of section 230 or an expenditure to which the definition of “qualified expenditure” in section 1029.8.9.1 refers, without reference to paragraph *d* of section 1029.8.15.1, or in the definition of that expression in the first paragraph of section 1029.8.16.1.1, without reference to paragraph *d* of section 1029.8.16.1.6.”

(2) Subsection 1 has effect from 24 March 2006.

232. (1) Section 1129.0.10.8 of the Act is amended, in the second paragraph,

(1) by replacing “*réfère le premier alinéa*” in the portion before subparagraph *a* in the French text by “*le premier alinéa fait référence*”;

(2) by replacing “Division II or II.3” in subparagraph i of subparagraph *a* by “any of Divisions II, II.3 and II.3.0.1”;

(3) by replacing “section 1029.8 or 1029.8.11” in subparagraph ii of subparagraph *a* by “any of sections 1029.8, 1029.8.11 and 1029.8.16.1.5”.

(2) Paragraphs 2 and 3 of subsection 1 have effect from 24 March 2006.

233. (1) Section 1129.0.10.9 of the Act is amended, in the second paragraph,

(1) by replacing “Division II or II.3” in subparagraph i of subparagraph *a* by “any of Divisions II, II.3 and II.3.0.1”;

(2) by replacing “section 1029.8 or 1029.8.11” in subparagraph ii of subparagraph *a* by “any of sections 1029.8, 1029.8.11 and 1029.8.16.1.5”.

(2) Subsection 1 has effect from 24 March 2006.

234. Section 1129.0.11 of the Act is replaced by the following section:

“**1129.0.11.** In this Part, “qualified expenditure” has the meaning assigned by section 1029.8.21.17.”

235. (1) Section 1129.0.17 of the Act is amended by inserting “an expenditure included in” after “an amount relating to” in subparagraph *b* of the first paragraph.

(2) Subsection 1 has effect from 22 April 2005.

236. (1) Section 1129.2 of the Act is amended

(1) by replacing “at least 75% of its production costs for the preceding year” in subparagraph *a.1* of the first paragraph by “more than 50% of its production costs for the three preceding taxation years during which it produced productions”;

(2) by replacing subparagraphs i and ii of subparagraph *c* of the first paragraph by the following subparagraphs:

“i. in computing the amount determined under subparagraph ii of paragraph *a* or subparagraph i of paragraph *b* of the definitions of “qualified computer-aided special effects and animation expenditure”, “qualified

expenditure for services rendered outside the Montréal area” and “qualified labour expenditure” in the first paragraph of section 1029.8.34, government assistance or non-government assistance that the corporation, another person, within the meaning of section 1, or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for the particular year must be taken into account, for or from the particular year in respect of the property, and the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year,

“ii. an amount relating to an expenditure included in a qualified expenditure for services rendered outside the Montréal area, qualified computer-aided special effects and animation expenditure or qualified labour expenditure in respect of the property, or relating to production costs directly attributable to the production of the property, other than an amount of assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation,”;

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

“i. where subparagraph i of subparagraph *c* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation,”;

(4) by replacing “the expenditure to which that amount is attributable was incurred” in subparagraph ii of subparagraph *a* of the second paragraph by “the expenditure or costs to which the amount is attributable were incurred”.

(2) Paragraph 1 of subsection 1 applies to a taxation year that ends after 20 December 2006.

(3) Paragraphs 2 to 4 of subsection 1 apply in respect of assistance received or to be received or of an amount refunded, paid or allocated after 21 April 2005. However, when section 1129.2 of the Act applies

(1) before 7 November 2007, subparagraph i of subparagraph *c* of the first paragraph reads as if “, within the meaning of section 1,” was inserted after “filing-due date”; and

(2) in respect of assistance other than assistance received or to be received after 23 March 2006 in relation to an expenditure incurred after that date,

(a) subparagraph i of subparagraph *c* of the first paragraph reads as if “, another person, within the meaning of section 1, or a partnership” and “or relates” were struck out; and

(b) subparagraph i of subparagraph *a* of the second paragraph reads as if “, the other person or the partnership” and “or relates” were struck out.

237. (1) Section 1129.4.0.2 of the Act is amended

(1) by replacing “égal à” in the portion of the first paragraph before subparagraph *a* in the French text by “égal”;

(2) by replacing “l’excédent” in subparagraph *a* of the first paragraph in the French text by “à l’excédent”;

(3) by replacing “le montant” in the portion of subparagraph *b* of the first paragraph before subparagraph i in the French text by “au montant”;

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

“i. in computing the amount determined under subparagraph ii of paragraph *a* of the definition of “qualified film dubbing expenditure” in the first paragraph of section 1029.8.36.0.0.1, government assistance or non-government assistance that the corporation, another person, within the meaning of section 1, or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for the particular year, must be taken into account for or from the particular year in respect of the production of the property, and the expenditure to which the assistance is attributable or relates was incurred by the corporation in a taxation year preceding the particular year, or”;

(5) by replacing “réfère le paragraphe *b* du premier alinéa” in the portion of the second paragraph before subparagraph *a* in the French text by “le paragraphe *b* du premier alinéa fait référence”;

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

“i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure to which the assistance is attributable or relates was incurred by the corporation, and”.

(2) Paragraphs 1 to 4 and 6 of subsection 1 apply in respect of assistance received or to be received after 23 March 2006 in relation to an expenditure incurred after that date.

238. (1) Section 1129.4.0.6 of the Act is amended

(1) by replacing “égal à” in the portion of the first paragraph before subparagraph *a* in the French text by “égal”;

(2) by replacing “l’excédent” in subparagraph *a* of the first paragraph in the French text by “à l’excédent”;

(3) by replacing “at least 75% of its production costs for the preceding year” in subparagraph *a.1* of the first paragraph by “more than 50% of its production costs for the three preceding taxation years during which it produced productions” and by replacing “l’excédent” in that subparagraph in the French text by “à l’excédent”;

(4) by replacing “le montant” in the portion of subparagraph *b* of the first paragraph before subparagraph *i* in the French text by “au montant”;

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

“i. in computing the amount determined under paragraph *b* of the definitions of “qualified computer-aided special effects and animation expenditure” and “qualified labour expenditure” in the first paragraph of section 1029.8.36.0.0.4, government assistance or non-government assistance that the corporation, another person, within the meaning of section 1, or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for the particular year, must be taken into account for or from the particular year in respect of the property, and the expenditure to which the assistance is attributable or relates was incurred by the corporation in a taxation year preceding the particular year.”;

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

“i. where subparagraph *i* of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph *i* had been received by the corporation, the other person or the partnership in the year during which the expenditure to which the assistance is attributable or relates was incurred by the corporation.”.

(2) Subsection 1 applies in respect of assistance received or to be received after 23 March 2006 in relation to an expenditure incurred after that date, except when paragraph 3 of that subsection replaces “at least 75% of its production costs for the preceding year” in subparagraph *a.1* of the first paragraph of section 1129.4.0.6 of the Act by “more than 50% of its production costs for the three preceding taxation years during which it produced productions”, in which case it applies to a taxation year that ends after 20 December 2006.

239. (1) Section 1129.4.0.9 of the Act is amended

(1) by striking out the definition of “taxation year”;

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

““qualified property” has the meaning assigned by the first paragraph of section 1029.8.36.0.0.7.”;

(3) by striking out the definition of “filing-due date”;

(4) by striking out the definition of “qualified sound recording”;

(5) by striking out the definition of “Minister”.

(2) Paragraphs 2 and 4 of subsection 1 have effect from 24 March 2006.

240. (1) Section 1129.4.0.10 of the Act is amended

(1) by replacing “sound recording” wherever it appears in the portion of the first paragraph before subparagraph *b* by “property”;

(2) by replacing “égal à” in the portion of the first paragraph before subparagraph *a* in the French text by “égal”;

(3) by replacing “l’excédent” in subparagraph *a* of the first paragraph in the French text by “à l’excédent”;

(4) by replacing “le montant” in the portion of subparagraph *b* of the first paragraph before subparagraph *i* in the French text by “au montant”;

(5) by replacing subparagraphs *i* and *ii* of subparagraph *b* of the first paragraph by the following subparagraphs:

“*i.* in computing the amount determined under subparagraph *ii* of paragraph *a* or subparagraph *i* of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph of section 1029.8.36.0.0.7, government assistance or non-government assistance that the corporation, another person, within the meaning of section 1, or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for the particular year, must be taken into account for or from the particular year in respect of the production of the property, and the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year, or

“*ii.* an amount relating to an expenditure included in a qualified labour expenditure in respect of the property, or to production costs directly attributable to the production of the property, other than an amount of assistance to which subparagraph *i* applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.”;

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

“i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation, and”;

(7) by replacing “the expenditure to which the amount is attributable was incurred” in subparagraph ii of subparagraph *a* of the second paragraph by “the expenditure or costs to which the amount is attributable were incurred”.

(2) Paragraph 1 of subsection 1 has effect from 24 March 2006.

(3) Paragraphs 2 to 7 of subsection 1 apply in respect of assistance received or to be received or of an amount refunded, paid or allocated after 21 April 2005. However, when section 1129.4.0.10 of the Act applies in respect of assistance other than assistance received or to be received after 23 March 2006 in relation to an expenditure incurred after that date,

(1) subparagraph i of subparagraph *b* of the first paragraph reads as if “, another person, within the meaning of section 1, or a partnership” and “or relates” were struck out; and

(2) subparagraph i of subparagraph *a* of the second paragraph reads as if “, the other person or the partnership” and “or relates” were struck out.

241. (1) Section 1129.4.0.14 of the Act is amended

(1) by replacing “égal à” in the portion of the first paragraph before subparagraph *a* in the French text by “égal”;

(2) by replacing “l’excédent” in subparagraph *a* of the first paragraph in the French text by “à l’excédent”;

(3) by replacing “le montant” in the portion of subparagraph *b* of the first paragraph before subparagraph i in the French text by “au montant”;

(4) by replacing subparagraphs i and ii of subparagraph *b* of the first paragraph by the following subparagraphs:

“i. in computing the amount determined under subparagraph ii of paragraph *a* or subparagraph i of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph of section 1029.8.36.0.0.10, government assistance or non-government assistance that the corporation, another person, within the meaning of section 1, or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for the particular year, must be taken into account for or from the particular year in respect of the production of the property, and the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year, or

“ii. an amount relating to an expenditure included in a qualified labour expenditure in respect of the property or to the production costs directly attributable to the production of the property, other than an amount of assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.”;

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

“i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation, and”;

(6) by replacing “the expenditure to which the amount is attributable was incurred” in subparagraph ii of subparagraph *a* of the second paragraph by “the expenditure or costs to which the amount is attributable were incurred”.

(2) Subsection 1 applies in respect of assistance received or to be received or of an amount refunded, paid or allocated after 21 April 2005. However, when section 1129.4.0.14 of the Act applies in respect of assistance other than assistance received or to be received after 23 March 2006 in relation to an expenditure incurred after that date,

(1) subparagraph i of subparagraph *b* of the first paragraph reads as if “, another person, within the meaning of section 1, or a partnership” and “or relates” were struck out; and

(2) subparagraph i of subparagraph *a* of the second paragraph reads as if “, the other person or the partnership” and “or relates” were struck out.

242. (1) Section 1129.4.0.18 of the Act is amended

(1) by replacing “égal à” in the portion of the first paragraph before subparagraph *a* in the French text by “égal”;

(2) by replacing “l’excédent” in subparagraph *a* of the first paragraph in the French text by “à l’excédent”;

(3) by replacing “le montant” in the portion of subparagraph *b* of the first paragraph before subparagraph i in the French text by “au montant”;

(4) by replacing subparagraphs i and ii of subparagraph *b* of the first paragraph by the following subparagraphs:

“i. in computing the amounts determined under subparagraph ii of paragraph *a* or subparagraph i of paragraph *b* of the definition of “qualified labour expenditure attributable to preparation costs” or “qualified labour

expenditure attributable to printing costs” in the first paragraph of section 1029.8.36.0.0.13, government assistance or non-government assistance that the corporation, another person, within the meaning of section 1, or a partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for the particular year, must be taken into account for or from the particular year in respect of the property, and the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation in a taxation year preceding the particular year, or

“ii. an amount relating to an expenditure included in a qualified labour expenditure attributable to preparation costs or qualified labour expenditure attributable to printing costs in respect of the property, or relating to printing costs directly attributable to the printing of the property or to preparation costs directly attributable to the preparation of the property, other than an amount of assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.”;

(5) by replacing “*réfère le paragraphe b du premier alinéa*” in the portion of the second paragraph before subparagraph *a* in the French text by “*le paragraphe b du premier alinéa fait référence*”;

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

“i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation, the other person or the partnership in the year during which the expenditure or costs to which the assistance is attributable or relates were incurred by the corporation, and”;

(7) by replacing “the expenditure to which the amount is attributable was incurred” in subparagraph ii of subparagraph *a* of the second paragraph by “the expenditure or costs to which the amount is attributable were incurred”.

(2) Paragraphs 1 to 4, 6 and 7 of subsection 1 apply in respect of assistance received or to be received or of an amount refunded, paid or allocated after 21 April 2005. However, when section 1129.4.0.18 of the Act applies in respect of assistance other than assistance received or to be received after 23 March 2006 in relation to an expenditure incurred after that date,

(1) subparagraph i of subparagraph *b* of the first paragraph reads as if “, another person, within the meaning of section 1, or a partnership” and “or relates” were struck out; and

(2) subparagraph i of subparagraph *a* of the second paragraph reads as if “, the other person or the partnership” and “or relates” were struck out.

243. Section 1129.4.2 of the Act is amended by striking out “, within the meaning assigned by section 1,” in subparagraphs *g* and *h* of the first paragraph.

244. Section 1129.4.3.9 of the Act is replaced by the following section:

“**1129.4.3.9.** In this Part, “qualified labour expenditure” has the meaning assigned by section 1029.8.36.0.3.18.”

245. (1) Section 1129.4.3.33 of the Act is amended by replacing the third paragraph by the following paragraph:

“If Investissement Québec revokes, in any given taxation year, a qualification certificate issued, for the purposes of Division II.6.0.1.8 of Chapter III.1 of Title III of Book IX of Part I and in relation to an eligible contract, to a corporation in respect of an employee and in relation to all or part of a preceding taxation year, the amount relating to the wages included in computing the qualified wages incurred by the corporation in respect of the employee, for all or part of the preceding taxation year and in relation to the eligible contract, is, for the purposes of the first and second paragraphs, deemed to be refunded to the corporation in the given taxation year.”

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

246. (1) Section 1129.4.10.1 of the Act is amended by replacing “for the taxation year in which the corporation acquired the qualified property” in the third paragraph by “for the taxation year preceding the particular year”.

(2) Subsection 1 has effect from 22 April 2005.

247. Section 1129.4.18 of the Act is replaced by the following section:

“**1129.4.18.** In this Part, “qualified brokerage expenditure” has the meaning assigned by the first paragraph of section 1029.8.36.0.55.”

248. (1) Section 1129.4.24.1 of the Act is amended by replacing “for the taxation year in which the corporation acquired the qualified property” in the third paragraph by “for the taxation year preceding the particular year”.

(2) Subsection 1 has effect from 22 April 2005.

249. (1) Section 1129.4.25.1 of the Act is amended by replacing “for the taxation year in which the partnership’s fiscal period ends and in which the partnership acquired the qualified property” in the third paragraph by “for the taxation year preceding the particular year”.

(2) Subsection 1 has effect from 22 April 2005.

250. (1) Section 1129.4.30 of the Act is amended

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

“1129.4.30. Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.85, on account of its tax payable for a taxation year under Part I, in relation to the eligible expenses incurred in the taxation year in respect of a strategic building, shall pay the tax referred to in the second paragraph for a taxation year of its filing period, in this section referred to as the “particular year”, in respect of which the corporation fails to file the qualification certificate relating to the strategic building with the Minister as required by section 1029.8.36.0.87, for the particular year.”;

(2) by replacing “réfère le premier alinéa” in the portion of the second paragraph before subparagraph *a* in the French text by “le premier alinéa fait référence”.

(2) Paragraph 1 of subsection 1 applies to a taxation year of the filing period of a corporation that begins after 20 December 2006. In addition, when section 1129.4.30 of the Act applies to such a taxation year that begins before 21 December 2006, the first paragraph of that section reads as if

(1) “the particular year” in the portion before subparagraph *a* was replaced by “the taxation year”; and

(2) “, before 21 December 2006” was added at the end of subparagraph *b*.

251. Book I of Part III.2.1 of the Act is replaced by the following Book:

“BOOK I

“DEFINITION

“1129.12.1. In this Part, “public share issue” has the meaning assigned by paragraph *h* of section 965.1.”

252. The heading of Book I of Part III.5 of the Act is replaced by the following heading:

“DEFINITION”.

253. Section 1129.20 of the Act is replaced by the following section:

“1129.20. In this Part, “eligible entity” means

- (a) a certified archival centre, within the meaning of section 1;
- (b) a recognized museum, within the meaning of section 1; or

(c) an institution or public authority in Canada which is designated, under subsection 2 of section 32 of the Cultural Property Export and Import Act

(Revised Statutes of Canada, 1985, chapter C-51), generally or for a specified purpose related to the property referred to in section 1129.21.”

254. (1) The Act is amended by inserting the following after section 1129.27.14:

“PART III.6.4

“SPECIAL TAX RELATING TO THE CREDIT FOR THE HIRING OF FINANCIAL DERIVATIVES SPECIALISTS

“1129.27.15. In this Part,

“individual” has the meaning assigned by section 1;

“person” has the meaning assigned by section 1;

“qualified wages” has the meaning assigned by section 776.1.7;

“unused portion of the tax credit” has the meaning assigned by section 776.1.7;

“wages” has the meaning assigned by section 776.1.7.

“1129.27.16. Every corporation that has deducted an amount under section 776.1.8 or 776.1.9 for a taxation year shall pay the tax computed under the second paragraph for a subsequent taxation year, in this section referred to as the “repayment year”, in which an amount relating to wages included in computing the qualified wages paid by the corporation to an individual for a taxation year preceding the repayment year, other than an amount described in subparagraph i or ii of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 776.1.7, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, or obtained by a person or partnership.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount deducted by the corporation for a taxation year preceding the repayment year under section 776.1.8 or under section 776.1.9 in respect of the unused portion of the tax credit of the corporation for a taxation year preceding the repayment year exceeds the total of

(a) the aggregate of all amounts each of which is the maximum amount that the corporation could have deducted under section 776.1.8 for a particular taxation year preceding the repayment year if it had had sufficient tax payable under Part I for the particular taxation year and if, for the purposes of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 776.1.7,

i. any amount referred to in the first paragraph for the repayment year or for a preceding taxation year, relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular taxation year, that is received or obtained at or before the end of the repayment year, had been received or obtained in the particular taxation year, and

ii. any amount referred to in the first paragraph of section 776.1.15 for the repayment year or for a preceding taxation year, relating to wages included in computing the qualified wages paid by the corporation to an individual for the particular taxation year, that is paid or deemed to be paid under section 776.1.16 at or before the end of the repayment year, had been paid or deemed to be paid in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay to the Minister under this section for a taxation year preceding the repayment year.

“1129.27.17. For the purposes of Part I, except Title III.3 of Book V, the tax paid at any time by a corporation to the Minister under section 1129.27.16 in relation to qualified wages, is deemed to be an amount of assistance repaid at that time by the corporation in respect of the qualified wages, pursuant to a legal obligation.

“1129.27.18. Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.”

(2) Subsection 1 applies to a taxation year that ends after 22 March 2006. However, when section 1129.27.15 of the Act applies before 7 November 2007, it reads as if the following definition was inserted in alphabetical order:

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

255. Section 1129.33.1 of the Act is amended

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

“1129.33.1. In this Part, “acquisition costs” and “qualified property” have the meaning assigned by the first paragraph of section 1029.8.21.4.”;

(2) by striking out the second paragraph.

256. (1) Section 1129.33.2 of the Act is amended by replacing “repaid to the taxpayer or allocated” and “so repaid or allocated” in paragraph *b* by “refunded or otherwise paid to the taxpayer or allocated” and “so refunded, paid or allocated”, respectively.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated after 21 April 2005.

257. (1) Section 1129.33.3 of the Act is amended

(1) by replacing “repaid to the partnership or allocated” and “so repaid or allocated” in subparagraph *b* of the first paragraph by “refunded or otherwise paid to the partnership or allocated” and “so refunded, paid or allocated”, respectively;

(2) by replacing “repaid to the taxpayer or allocated” and “so repaid or allocated” in subparagraph *c* of the first paragraph by “refunded or otherwise paid to the taxpayer or allocated” and “so refunded, paid or allocated”, respectively;

(3) by replacing “repaid or allocated” in the second paragraph by “refunded, paid or allocated”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated after 21 April 2005.

258. Section 1129.34 of the Act is amended

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

“**1129.34.** In this Part, “qualified training expenditure” has the meaning assigned by Division II.5 of Chapter III.1 of Title III of Book IX of Part I.”;

(2) by striking out the second paragraph.

259. (1) Section 1129.35 of the Act is amended by replacing “refunded to the corporation or allocated” and “so refunded or allocated” by “refunded or otherwise paid to the corporation or allocated” and “so refunded, paid or allocated”, respectively.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated after 21 April 2005.

260. (1) Section 1129.36 of the Act is amended

(1) by replacing “refunded to the partnership or allocated” and “so refunded or allocated” in the first paragraph by “refunded or otherwise paid to the partnership or allocated” and “so refunded, paid or allocated”, respectively;

(2) by replacing “refunded or allocated” in the second paragraph by “refunded, paid or allocated”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated after 21 April 2005.

261. Section 1129.38 of the Act is replaced by the following section:

“1129.38. In this Part, “qualified expenditure” has the meaning assigned by Division II.5.1 of Chapter III.1 of Title III of Book IX of Part I.”

262. (1) Section 1129.39 of the Act is amended

(1) by replacing “refunded to the taxpayer or allocated” and “so refunded or allocated” in the first paragraph by “refunded or otherwise paid to the taxpayer or allocated” and “so refunded, paid or allocated”, respectively;

(2) by replacing “refunded or allocated” in the portion of the second paragraph before subparagraph *a* by “refunded, paid or allocated”;

(3) by replacing “was refunded to the taxpayer, or was allocated” in subparagraph *a* of the second paragraph by “was refunded or otherwise paid to the taxpayer or allocated” and by replacing “was refunded to the taxpayer or allocated” in the third paragraph by “was refunded or otherwise paid to the taxpayer or allocated”.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated after 21 April 2005.

263. (1) Section 1129.40 of the Act is amended

(1) by replacing “refunded to the partnership or allocated” and “so refunded or allocated” in the first paragraph by “refunded or otherwise paid to the partnership or allocated” and “so refunded, paid or allocated”, respectively;

(2) by replacing “refunded or allocated” in the second paragraph by “refunded, paid or allocated”;

(3) by replacing “amount refunded or allocated” and “was refunded to the partnership, or was allocated” in the third paragraph by “amount refunded, paid or allocated” and “was refunded or otherwise paid to the partnership or allocated”, respectively.

(2) Subsection 1 applies in respect of an amount refunded, paid or allocated after 21 April 2005.

264. Section 1129.41.1 of the Act is replaced by the following section:

“1129.41.1. In this Part, “qualified expenditure” has the meaning assigned by section 1029.8.33.12.”

265. Section 1129.42 of the Act is replaced by the following section:

“1129.42. In this Part, “qualified outside consultant” has the meaning assigned by section 1029.8.36.4.”

266. (1) Section 1129.44.3 of the Act is repealed.

(2) Subsection 1 has effect from 22 April 2005.

267. (1) The Act is amended by inserting the following after section 1129.45:

“PART III.10.0.1

“SPECIAL TAX RELATING TO THE CREDIT FOR THE ACQUISITION OF PIG MANURE TREATMENT FACILITIES

“1129.45.0.1. In this Part,

“eligible expenses” has the meaning assigned by the first paragraph of section 1029.8.36.53.10;

“eligible facility” has the meaning assigned by the first paragraph of section 1029.8.36.53.10.

“1129.45.0.2. Every taxpayer that is deemed to have paid an amount to the Minister, under section 1029.8.36.53.11, on account of the taxpayer’s tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the taxpayer for the particular year, in respect of an eligible facility, shall pay the tax computed under the second paragraph for a subsequent taxation year, in this section referred to as the “repayment year”, in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer is deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.53.11 or 1029.8.36.53.17, in relation to the eligible expenses, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year preceding the repayment year under section 1029.8.36.53.11 or 1029.8.36.53.17, in relation to the eligible expenses, if every amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular taxation year; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer is required to pay to the Minister under this section for a taxation year preceding the repayment year, in relation to the eligible expenses.

“1129.45.0.3. Every taxpayer that is a member of a partnership and is deemed to have paid an amount to the Minister, under section 1029.8.36.53.12, on account of the taxpayer’s tax payable under Part I for a particular taxation year, in relation to the eligible expenses of the partnership for the partnership’s particular fiscal period that ends in that particular year, in respect of an eligible facility, shall pay the tax computed under the second paragraph for the taxation year in which a subsequent fiscal period of the partnership ends, in this section referred to as the “fiscal period of repayment”, in which an amount relating to the eligible expenses is, directly or indirectly, refunded or otherwise paid to the partnership or taxpayer or allocated to a payment to be made by the partnership or taxpayer.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends under any of sections 1029.8.36.53.12, 1029.8.36.53.18 and 1029.8.36.53.19, in relation to the eligible expenses, if the taxpayer’s share of the income or loss of the partnership for that preceding fiscal period and the partnership’s income or loss for that preceding fiscal period were the same as those for the fiscal period of repayment, exceeds the total of

(a) the aggregate of all amounts each of which is an amount that the taxpayer would be deemed to have paid to the Minister under any of sections 1029.8.36.53.12, 1029.8.36.53.18 and 1029.8.36.53.19, for a taxation year in which a fiscal period of the partnership preceding the fiscal period of repayment ends, in relation to the eligible expenses, if

i. every amount that is, at or before the end of the fiscal period of repayment, so refunded, paid or allocated, in relation to the eligible expenses, were refunded, paid or allocated in the particular fiscal period, and

ii. the taxpayer’s share of the income or loss of the partnership for that preceding fiscal period and the partnership’s income or loss for that preceding fiscal period were the same as those for the fiscal period of repayment; and

(b) the aggregate of all amounts each of which is a tax that the taxpayer would be required to pay to the Minister under this section, for a taxation year preceding the taxation year in which the fiscal period of repayment ends, in relation to the eligible expenses, if the taxpayer’s share of the income or loss of the partnership for the partnership’s fiscal period that ends in the preceding taxation year and the partnership’s income or loss for that fiscal period were the same as those for the fiscal period of repayment.

For the purposes of the second paragraph, an amount referred to in subparagraph i of subparagraph a of that paragraph that is refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer is deemed to be an amount

(a) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(b) that is determined by multiplying the amount refunded, paid or allocated, otherwise determined, by the proportion that the income or loss of the partnership for the fiscal period of repayment is of the taxpayer's share of that income or loss, on the assumption that, if the partnership's income and loss for the fiscal period are nil, the partnership's income is equal to \$1,000,000.

“1129.45.0.4. For the purposes of Part I, except for Division II.6.4.2 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a taxpayer at any time, under this Part, in relation to eligible expenses, is deemed to be an amount of assistance repaid at that time in respect of those expenses pursuant to a legal obligation, by

(a) the partnership referred to in section 1129.45.0.3, if the tax arises from an amount directly or indirectly refunded or otherwise paid to that partnership or allocated to a payment required to be made by the partnership; or

(b) the taxpayer, in any other case.

“1129.45.0.5. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.”

(2) Subsection 1 has effect from 24 March 2006. However, when section 1129.45.0.1 of the Act applies before 7 November 2007, it reads as if the following definitions were inserted in alphabetical order:

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

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

““taxpayer” has the meaning assigned by section 1.”

268. Section 1129.45.3.1 of the Act is replaced by the following section:

“1129.45.3.1. In this Part, “property taxes” has the meaning assigned by section 1029.8.36.59.1.”

269. (1) Section 1129.45.3.5.2 of the Act is amended, in the second paragraph,

(1) by replacing “for the particular year” in the portion before subparagraph *a* by “for a taxation year preceding the repayment year”;

(2) by inserting “for a taxation year preceding the repayment year” after “Minister” in subparagraph *a*.

(2) Subsection 1 has effect from 12 March 2003.

270. Section 1129.45.3.36 of the Act is replaced by the following section:

“1129.45.3.36. In this Part, “eligible production of ethanol” has the meaning assigned by section 1029.8.36.0.94.”

271. Section 1129.45.4 of the Act is amended

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

“1129.45.4. In this Part, “clothing”, “eligible employee”, “group of associated employers”, “initial calendar year” and “salary or wages” have the meaning assigned by the first paragraph of section 1029.8.36.73.”;

(2) by striking out the third paragraph.

272. Section 1129.45.17 of the Act is replaced by the following section:

“1129.45.17. In this Part, “qualified solicitation expenditure” has the meaning assigned by section 1029.8.36.102.”

273. Section 1129.45.27 of the Act is replaced by the following section:

“1129.45.27. In this Part, “qualified solicitation expenditure” has the meaning assigned by section 1029.8.36.125.”

274. Section 1129.45.42 of the Act is replaced by the following section:

“1129.45.42. In this Part, “eligible expenses” has the meaning assigned by section 1029.8.36.167.”

275. Section 1129.46 of the Act is replaced by the following section:

“1129.46. In this Part, “establishment” has the meaning assigned by section 1.”

276. Section 1129.59 of the Act is replaced by the following section:

“1129.59. In this Part, “flow-through share” has the meaning assigned by section 359.1.”

277. (1) Section 1135.1 of the Act is amended

(1) by replacing “on or before the corporation’s filing due-date for that particular year” in subparagraph ii of each of subparagraphs *a* and *b* of the first paragraph by “on or before the day that is six months after the end of that particular fiscal period”;

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

“For the purposes of the first paragraph, the costs that are included, at the end of a taxation year or fiscal period, in the capital cost of a property do not include the costs so included under section 180 or 182.”

(2) Paragraph 1 of subsection 1 applies in respect of costs incurred to acquire a property after 23 March 2006.

(3) In addition, when subparagraph *b* of the first paragraph of section 1135.1 of the Act applies in respect of costs incurred to acquire a property before 24 March 2006, it reads as if “on or before the corporation’s filing due-date for that particular year” was replaced by “on or before the day that is six months after the end of that particular fiscal period”.

(4) Paragraph 2 of subsection 1 applies in respect of costs that are included in the capital cost of a property because of an election made after 29 June 2006.

278. (1) Section 1135.2 of the Act is replaced by the following section:

“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 the costs referred to in that paragraph, for any given taxation year preceding the particular year, otherwise than because of the application of section 1135.8 or 1135.8.1, in this section referred to as the “particular balance”, exceeds any amount deducted under this section, in respect of those costs, for a taxation year preceding the particular year.

However, the amount that the corporation may deduct under the first paragraph, in respect of the costs referred to in that paragraph and incurred by the corporation or by a partnership of which it was a member at the end of the fiscal period of the partnership ending in the given taxation year, must be reduced by the amount determined under the third paragraph if

(*a*) in the particular year or a preceding taxation year, an amount relating to the costs incurred by the corporation, other than an amount having reduced the amount of those costs in accordance with subparagraphs *a* and *b* of the first paragraph of section 1135.1 or section 1135.4, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) in a fiscal period of a partnership ending in the particular year or in a preceding taxation year and at the end of which the corporation is a member of that partnership, an amount relating to the costs incurred by that partnership, other than an amount having reduced the amount of those costs, or the corporation's share of the amount of those costs, in accordance with subparagraphs *a* and *b* of the first paragraph of section 1135.1 or section 1135.4, is, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The amount to which the second paragraph refers is the amount by which the particular balance exceeds the amount that would be the amount of the particular balance if

(a) any amount referred to in subparagraph *a* or *b* of the second paragraph that is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation were directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation in the given taxation year; and

(b) any amount referred to in subparagraph *b* of the second paragraph that is, directly or indirectly, refunded or otherwise paid to a partnership referred to in that subparagraph *b* or allocated to a payment to be made by the partnership were directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership in the partnership's fiscal period ending in the given taxation year.

If, in respect of the costs referred to in the first paragraph, a person other than the corporation, or a partnership other than the particular partnership that incurred those costs, has obtained, at a particular time, a benefit or advantage that would have reduced those costs in accordance with section 1135.4 if the person or partnership had obtained it, had been entitled to obtain it or could reasonably have expected to obtain it on or before the corporation's filing-due date for the given taxation year, or on or before the day that is six months after the end of the fiscal period of the particular partnership that ends in the given taxation year, the benefit or advantage is, for the purposes of the second and third paragraphs,

(a) if those costs were incurred by the corporation, deemed to be an amount that is paid to the corporation at that time; or

(b) if those costs were incurred by the particular partnership, deemed to be

i. an amount that is paid to the particular partnership at that time, when the benefit or advantage has been obtained by another partnership or by a person other than the person referred to in subparagraph ii, or

ii. an amount that is paid to the corporation at that time, when the benefit or advantage has been obtained by a person with whom the corporation is not dealing at arm's length."

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 21 April 2005. However, when the first paragraph of section 1135.2 of the Act applies in respect of costs incurred to acquire a property before 24 March 2006, it reads as if “section 1135.8 or 1135.8.1” was replaced by “section 1135.8”.

279. (1) Section 1135.4 of the Act is amended

(1) by replacing “on or before the particular corporation’s filing-due date for the particular year” in subparagraph ii of paragraph *b* by “on or before the day that is six months after the end of that fiscal period”;

(2) by striking out paragraph *c*.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 21 April 2005.

280. (1) Section 1135.5 of the Act is replaced by the following section:

“1135.5. For the purposes of sections 1135.1, 1135.2, 1135.4 and 1135.7.3, the share of a corporation or partnership that is a member of a particular partnership, for a fiscal period of that particular partnership, of an amount is equal to the proportion of that amount that the corporation’s or partnership’s share of the particular partnership’s income or loss for that fiscal period is of the particular partnership’s income or loss for that fiscal period, on the assumption that, if the income and loss of the particular partnership for that fiscal period are nil, the particular partnership’s income for that fiscal period is equal to \$1,000,000.”

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 21 April 2005.

281. (1) Section 1135.6 of the Act is amended

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

“1135.6. If a corporation pays, at a particular time in 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 described in section 1135.3, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph i or ii of subparagraph *a* of the first paragraph of section 1135.1 that, 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, reduced the amount determined, in respect of the corporation, under that subparagraph i or ii, the following rules apply:”;

(2) by striking out the second paragraph.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 21 April 2005. However, when the portion of section 1135.6 of the Act before paragraph *a* applies in respect of costs incurred to acquire a property before 24 March 2006, it reads as if “subparagraph i or ii of subparagraph *a*” was replaced by “subparagraph *a* or *b*”, and as if “that subparagraph i or ii” was replaced by “that subparagraph”.

282. (1) Section 1135.6.1 of the Act is amended

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

“1135.6.1. If a corporation pays, at a particular time in a taxation year and before 1 January 2011, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3.1, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph i or ii of subparagraph *b* of the first paragraph of section 1135.1 that, 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, reduced the amount determined, in respect of the corporation, under that subparagraph i or ii, the following rules apply:”;

(2) by striking out the second paragraph.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 23 March 2006.

283. (1) Section 1135.7 of the Act is amended

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

“1135.7. If a partnership pays, at a particular time in 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 described in section 1135.3, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph ii of subparagraph *a* of the first paragraph of section 1135.1 that, for the purpose of determining the amount that a corporation that is a member of the partnership could deduct, in respect of those costs, in computing its tax otherwise payable under this Part for a taxation year in which ends a fiscal period of the partnership that precedes the particular fiscal period, reduced the amount determined, in respect of the corporation, under that subparagraph ii, the following rules apply:”;

(2) by striking out the second paragraph.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 21 April 2005. However, when the portion of section 1135.7 of the Act before paragraph *a* applies in respect of costs incurred to acquire a property before 24 March 2006, it reads as if “subparagraph ii of subparagraph *a*” was replaced by “subparagraph *b*”, and as if “that subparagraph ii” was replaced by “that subparagraph”.

284. (1) Section 1135.7.1 of the Act is amended

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

“**1135.7.1.** If a partnership pays, at a particular time in a particular fiscal period and before 1 January 2011, pursuant to a legal obligation, a particular amount, in relation to costs incurred to acquire a property described in section 1135.3.1, that may reasonably be considered to be a repayment of an amount of assistance referred to in subparagraph ii of subparagraph *b* of the first paragraph of section 1135.1 that, for the purpose of determining the amount that a corporation that is a member of the partnership could deduct, in respect of those costs, in computing its tax otherwise payable under this Part for a taxation year in which ends a fiscal period of the partnership that precedes the particular fiscal period, reduced the amount determined, in respect of the corporation, under that subparagraph ii, the following rules apply:”;

(2) by striking out the second paragraph.

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 23 March 2006.

285. (1) The Act is amended by inserting the following sections after section 1135.7.1:

“**1135.7.2.** For the purposes of sections 1135.6 to 1135.7.1, an amount of assistance is deemed to be repaid by a corporation or partnership at a particular time, pursuant to a legal obligation, if that amount

(*a*) reduced the amount determined in accordance with subparagraph i or ii of either of subparagraphs *a* and *b* of the first paragraph of section 1135.1 for the purpose of determining the amount that the corporation or a corporation that is a member of the partnership could deduct, in respect of the costs referred to in that first paragraph, in computing its tax otherwise payable for a taxation year under this Part;

(*b*) was not received by the corporation or partnership; and

(*c*) ceased at that time to be an amount that the corporation or partnership may reasonably expect to receive.

“1135.7.3. If a particular partnership is a member of another partnership at the end of a fiscal period of that other partnership in which that other partnership has incurred costs referred to in subparagraph ii of subparagraph *a* or *b* of the first paragraph of section 1135.1 to acquire a property referred to in that subparagraph ii of which it is the owner at that time, the particular partnership is deemed, for the purposes of sections 1135.1 to 1135.12 and Part VI.1.1 in respect of those costs, to have also acquired, in the course of carrying on a business in Québec, the property in the fiscal period of the particular partnership in which the fiscal period of the other partnership ends or the end of which coincides with the end of the fiscal period of the other partnership, and to be the owner of the property at the end of that fiscal period, and

(*a*) to have incurred and paid in a particular fiscal period its share of the amounts or costs incurred and paid by the other partnership in its fiscal period that ends in the particular fiscal period or the end of which coincides with the end of the particular fiscal period; and

(*b*) to have received, to be entitled to receive or to reasonably expect to receive in a particular fiscal period, its share of the amounts that the other partnership has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period of the other partnership that ends in that particular fiscal period or the end of which coincides with the end of the particular fiscal period.”

(2) Subsection 1 applies in respect of costs incurred to acquire a property after 21 April 2005. However,

(1) when section 1135.7.2 of the Act applies in respect of costs incurred to acquire a property before 24 March 2006, it reads as if

(*a*) “1135.6 to 1135.7.1” in the portion before paragraph *a* was replaced by “1135.6 and 1135.7”; and

(*b*) “subparagraph i or ii of either of subparagraphs *a* and *b*” in paragraph *a* was replaced by “subparagraph *a* or *b*”; and

(2) when the portion of section 1135.7.3 of the Act before paragraph *a* applies in respect of costs incurred to acquire a property before 24 March 2006, it reads as if “in subparagraph ii of subparagraph *a* or *b* of the first paragraph of section 1135.1 to acquire a property referred to in that subparagraph ii” was replaced by “in subparagraph *b* of the first paragraph of section 1135.1 to acquire a property referred to in that subparagraph”.

286. (1) The Act is amended by inserting the following section after section 1135.9.1:

“**1135.9.2.** Sections 1029.6.0.1.8.1 and 1029.6.0.1.8.2 apply, with the necessary modifications, to sections 1135.1 to 1135.12, except where inconsistent with those sections.”

(2) Subsection 1 has effect from 22 April 2005.

287. (1) Section 1138.2.1 of the Act is amended by replacing subparagraph i of subparagraph *a* of the second paragraph by the following subparagraph:

“i. if the corporation’s taxation year includes the first or last day of its eligibility period, within the meaning of section 771.1, or part of the year is excluded from that eligibility period because of the application of the fourth paragraph of section 771.1, the proportion that the number of days in the year included in that eligibility period is of the number of days in the year, and”.

(2) Subsection 1 has effect from 12 June 2003.

(3) In addition, when the second paragraph of section 1138.2.1 of the Act applies before 12 June 2003 to a taxation year that begins after 20 December 2001, it reads as follows:

“Notwithstanding the first paragraph, the amount deductible by such a corporation in computing its paid-up capital, for a taxation year that includes the first or last day of its eligibility period, or part of which is excluded from its eligibility period because of the application of the fourth paragraph of section 771.1, is equal to such proportion of its paid-up capital for that year computed before the application of this section as the number of days in the year included in that eligibility period is of the number of days in the year.”

288. (1) Section 1175.19.1 of the Act is amended

(1) by striking out the definitions of “government assistance” and “non-government assistance”;

(2) by striking out the definition of “Minister”.

(2) Paragraph 1 of subsection 1 has effect from 22 April 2005.

289. (1) Section 1175.19.2 of the Act is replaced by the following section:

“**1175.19.2.** Every corporation that, in relation to the aggregate of the costs referred to in the first paragraph of section 1135.1 for any taxation year and incurred in respect of property described in section 1135.3 or 1135.3.1, has deducted, under section 1135.1 or 1135.2, an amount in computing its tax otherwise payable under Part IV for a particular taxation year, shall pay the tax computed under the second paragraph, for a subsequent taxation year, in this section referred to as the “repayment year”, if

(a) an amount relating to the portion of those costs that was incurred by the corporation is, in the repayment year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation; or

(b) an amount relating to the portion of those costs that was incurred by a partnership of which the corporation is a member at the end of that partnership's fiscal period that ends in the repayment year, is, in that fiscal period, directly or indirectly, refunded or otherwise paid to the partnership or corporation or allocated to a payment to be made by the partnership or corporation.

The tax to which the first paragraph refers is equal to the amount by which the aggregate of all amounts each of which is, in relation to the costs referred to in the first paragraph, an amount that the corporation would have deducted under section 1135.1 or 1135.2 for a particular taxation year preceding the repayment year, if the corporation's share of the income or loss of any partnership of which it was a member at the end of the partnership's fiscal period that ends in the particular taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year, exceeds the total of

(a) the aggregate of all amounts each of which is, in relation to those costs, an amount that the corporation would have deducted under section 1135.1 or 1135.2 for a particular taxation year preceding the repayment year, if

i. any amount that is, at or before the end of the repayment year, so refunded, paid or allocated, in relation to the portion of those costs that was incurred by the corporation, had been refunded, paid or allocated in the particular taxation year,

ii. any amount that is, at or before the end of the fiscal period of a partnership of which the taxpayer is a member ending in the repayment year, so refunded, paid or allocated, in relation to the portion of those costs that was incurred by the partnership, had been refunded, paid or allocated in the partnership's fiscal period that ends in the particular taxation year, and

iii. the corporation's share of the income or loss of any partnership for the partnership's fiscal period that ends in the particular taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year; and

(b) the aggregate of all amounts each of which is a tax that the corporation should have paid to the Minister under this section, in relation to those costs, for a taxation year preceding the repayment year, if the corporation's share of the income or loss of any partnership for the partnership's fiscal period that ends in the preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year.

For the purposes of the second paragraph, an amount referred to in subparagraph ii of subparagraph *a* of that paragraph that is refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation is deemed to be an amount

(*a*) that is refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership; and

(*b*) that is determined by multiplying the amount refunded, paid or allocated, otherwise determined, by the proportion that the income or loss of the partnership for the partnership's fiscal period that ends in the repayment year is of the corporation's share of that income or loss, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, that income is equal to \$1,000,000."

(2) Subsection 1 has effect from 22 April 2005. However, when the portion of the first paragraph of section 1175.19.2 of the Act before subparagraph *a* applies before 24 March 2006, it reads as if "or 1135.3.1" was struck out.

290. (1) Section 1175.19.2.1 of the Act is replaced by the following section:

"1175.19.2.1. For the purposes of section 1175.19.2, the amount determined in accordance with the second paragraph, in respect of a property described in section 1135.3 or 1135.3.1 that a corporation has acquired in any given taxation year or that a partnership has acquired in a fiscal period that ends in any given taxation year, is deemed to be refunded to the corporation in a taxation year subsequent to the given taxation year, in this section referred to as the "repayment year", or refunded to the partnership in a fiscal period of the partnership that ends in the repayment year if, at a particular time in the period described in the third paragraph, the property ceases, otherwise than by reason of its loss, of its involuntary destruction by fire, theft or water, or of a major breakdown of the property, to be used solely in Québec,

(*a*) if the property is described in section 1135.3, to earn income from a business carried on

i. by the first purchaser of the property and that time is 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 (R.R.Q., 1981, chapter I-3, r. 1) applies, and that time is in the portion of that period in which the subsequent purchaser owns the property; or

(*b*) if the property is described in section 1135.3.1, in connection with the activities, described in paragraph *c* of section 1135.3.1, of a business carried on

i. by the first purchaser of the property and that time is 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 that time is in the portion of that period in which the subsequent purchaser owns the property.

The amount to which the first paragraph refers is equal to the amount by which the aggregate of the costs incurred by the corporation to acquire the property in the given taxation year, or incurred by the partnership to acquire the property in the fiscal period that ends in the given taxation year, exceeds the aggregate of all amounts each of which is an amount relating to those costs that, in a taxation year preceding the repayment year but subsequent to the given taxation year, or in a fiscal period of the partnership that ends in such a year, was refunded, otherwise paid or allocated to a payment to be made by the corporation or partnership.

The period to which the first paragraph refers is the period that begins on the day after the corporation's filing-due date for the taxation year preceding the repayment year and ends on 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 of the property or by a subsequent purchaser that acquired the property in any of the circumstances in which section 130R71 of the Regulation respecting the Taxation Act applies, or, if it precedes the day that is the end of the 730-day period, the corporation's filing-due date for the repayment year.

No tax is payable for a taxation year under section 1175.19.2 in respect of any given amount that is refunded or otherwise paid to the corporation or to a partnership of which the corporation is a member at the end of the partnership's fiscal period that ends in the taxation year, or that is allocated to a payment to be made by the corporation or partnership, if the given amount is included in an amount that is deemed to have been refunded under this section in that taxation year or a preceding taxation year, or in a fiscal period of the partnership that ends in that taxation year or a preceding taxation year."

(2) Subsection 1 has effect from 22 April 2005. However, when the first paragraph of section 1175.19.2.1 of the Act applies before 24 March 2006, it reads as follows:

"1175.19.2.1. For the purposes of section 1175.19.2, the amount determined in accordance with the second paragraph, in respect of a property described in section 1135.3 that a corporation has acquired in any given taxation year or that a partnership has acquired in a fiscal period that ends in any given taxation year, is deemed to be refunded to the corporation in a taxation year subsequent to the given taxation year, in this section referred to as the "repayment year", or refunded to the partnership in a fiscal period of the partnership that ends in the repayment year if, at a particular time in the period described in the third paragraph, the property ceases, otherwise than by reason

of its loss, of its involuntary destruction 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

(a) by the first purchaser of the property and that time is in the portion of that period in which the first purchaser owns the property; or

(b) 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, and that time is in the portion of that period in which the subsequent purchaser owns the property.”

291. (1) Section 1175.19.3 of the Act is amended by inserting “and 1129.0.0.2” after “1079.16”.

(2) Subsection 1 has effect from 22 April 2005. However, when section 1175.19.3 of the Act applies before 13 June 2006, it reads as if “and 1129.0.0.2” was replaced by “, 1129.0.0.2”.

292. (1) Section 1175.21 of the Act is replaced by the following section:

“1175.21. Every corporation that, in relation to a property described in the first paragraph of section 1137.5, has deducted, for a particular taxation year, an amount under paragraph *b.3* or *b.4* of section 1137 and, if the corporation is a member of a partnership, because of subsection 3 of section 1136, in computing its paid-up capital determined under Part IV for the purpose of computing the tax payable by the corporation for the particular year under that Part, shall pay the tax computed under the second paragraph, for a subsequent taxation year, in this section referred to as the “repayment year”, in which

(a) an amount relating to costs incurred to acquire the property, or to its share of such costs, in respect of which the corporation has deducted an amount for a taxation year preceding the repayment year is, directly or indirectly, refunded or otherwise paid to the corporation, or allocated to a payment to be made by the corporation; or

(b) ends a fiscal period of the partnership in which an amount relating to costs incurred by the partnership to acquire the property, in respect of which the corporation has deducted, in relation to its share of those costs, an amount for a taxation year preceding the repayment year is, directly or indirectly, refunded or otherwise paid to the partnership, or allocated to a payment to be made by the partnership.

The tax to which the first paragraph refers is equal to the amount by which the amount determined in accordance with the third paragraph is exceeded by the aggregate of all amounts each of which is the amount by which the amount of the tax that would have been payable by the corporation under Part IV for a particular taxation year preceding the repayment year and in respect of which

the corporation has deducted an amount relating to costs incurred to acquire the property referred to in the first paragraph, or to its share of such costs, if every amount that, at or before the end of the repayment year or of the fiscal period that ended in the repayment year, as the case may be, is so refunded, paid or allocated, in relation to those costs, had been refunded, paid or allocated in that particular taxation year or in the fiscal period that ended in the particular taxation year, as the case may be, and in the case where the property was acquired by the partnership referred to in the first paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that particular taxation year and the income or loss of the partnership for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year, exceeds the amount of the tax payable by the corporation under Part IV for that particular taxation year or, in the case where the property was acquired by the partnership referred to in the first paragraph, that would have been payable by the corporation under that Part if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that particular taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year.

The amount to which the second paragraph refers is equal to the aggregate of all amounts each of which is a tax payable by the corporation to the Minister under this section, in respect of the costs incurred to acquire the property referred to in the first paragraph, for a taxation year preceding the repayment year or that would have been so payable, in the case where the property was acquired by the partnership referred to in the first paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year.

However, no tax is payable under this section, in relation to costs incurred to acquire the property referred to in the first paragraph, if section 1175.21.0.1 applies in respect of the property for the repayment year or applied in respect of the property for a preceding taxation year."

(2) Subsection 1 has effect from 22 April 2005.

293. (1) The Act is amended by inserting the following section after section 1175.21:

"1175.21.0.1. Every corporation that, in relation to a property described in the first paragraph of section 1137.5, has deducted, for any taxation year, an amount under paragraph *b.3* or *b.4* of section 1137 and, if it is a member of a partnership, because of subsection 3 of section 1136, in computing its paid-up capital determined under Part IV for the purpose of computing the tax payable by the corporation for that year under that Part, shall pay the tax computed under the second paragraph for a particular taxation year, if

(a) 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 of the property or by a subsequent purchaser 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 owns the property at the end of the particular year, the property ceases, otherwise than by reason of its loss, of its involuntary destruction 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 is also in the portion of that period in which the subsequent purchaser owns the property; or

(b) the qualification certificate issued in relation to an activity described in subparagraph *d* of the second paragraph of section 1137.5 for the carrying on of which the property described in subparagraph *c* of the first paragraph of section 1137.5 was acquired, is revoked on or before the corporation's filing-due date for the particular year.

The tax to which the first paragraph refers is equal to the amount by which the amount determined in accordance with the third paragraph is exceeded by the aggregate of all amounts each of which is the amount by which the amount of the tax that would have been payable by the corporation under Part IV for a taxation year preceding the particular year if the corporation had not deducted, for that preceding year, in relation to the costs incurred to acquire the property referred to in the first paragraph, or to its share of such costs, an amount under paragraph *b.3* or *b.4* of section 1137 and, if it is a member of a partnership, because of subsection 3 of section 1136, in computing its paid-up capital determined under Part IV and if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the particular year, exceeds the amount of the tax payable by the corporation under Part IV for that preceding taxation year or, in the case where the property was acquired by the partnership, that would have been payable by the corporation under that Part if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the income or loss of the partnership for that fiscal period had been the same as those for the partnership's fiscal period that ends in the particular year.

The amount to which the second paragraph refers is equal to the aggregate of all amounts each of which is a tax payable by the corporation to the Minister, in respect of the costs incurred to acquire the property referred to in the first paragraph, under section 1175.21, for a taxation year preceding the particular year or that would have been so payable, in the case where the property was acquired by the partnership referred to in the second paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the particular year."

(2) Subsection 1 has effect from 22 April 2005.

294. (1) Section 1175.21.1 of the Act is replaced by the following section:

"1175.21.1. Every corporation that, in relation to an eligible vessel, has deducted, for a particular taxation year, an amount under paragraph *b.2* or *b.2.1* of section 1137 and, if the corporation is a member of a partnership, because of subsection 3 of section 1136, in computing its paid-up capital determined under Part IV for the purpose of computing the tax payable by the corporation for the particular year under that Part, shall pay the tax computed under the second paragraph, for a subsequent taxation year, in this section referred to as the "repayment year", in which

(a) an amount relating to the eligible acquisition costs or the eligible conversion costs of the eligible vessel, or to its share of such costs, in respect of which the corporation has deducted an amount for a taxation year preceding the repayment year is, directly or indirectly, refunded or otherwise paid to the corporation, or allocated to a payment to be made by the corporation; or

(b) ends a fiscal period of the partnership in which an amount relating to the eligible acquisition costs or the eligible conversion costs, as the case may be, of the eligible vessel of the partnership, in respect of which the corporation has deducted, in respect of its share of those costs, an amount for a taxation year preceding the repayment year is, directly or indirectly, refunded or otherwise paid to the partnership, or allocated to a payment to be made by the partnership.

The tax to which the first paragraph refers is equal to the amount by which the amount determined in accordance with the third paragraph is exceeded by the aggregate of all amounts each of which is the amount by which the amount of the tax that would have been payable by the corporation under Part IV for a particular taxation year preceding the repayment year and in respect of which the corporation has deducted an amount relating to the eligible acquisition costs or the eligible conversion costs of the eligible vessel, or to its share of such costs, if every amount that, at or before the end of the repayment year or of the fiscal period that ended in the repayment year, as the case may be, is so refunded, paid or allocated, in relation to those costs, had been refunded, paid or allocated in that particular taxation year or in the fiscal period that ended in

the particular taxation year, as the case may be, and in the case where the costs were incurred by the partnership referred to in the first paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that particular taxation year and the income or loss of the partnership for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year, exceeds the amount of the tax payable by the corporation under Part IV for that particular taxation year or, in the case where the costs were incurred by the partnership referred to in the first paragraph, that would have been payable by the corporation under that Part if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that particular taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year.

The amount to which the second paragraph refers is equal to the aggregate of all amounts each of which is a tax payable by the corporation to the Minister under this section, in respect of the eligible acquisition costs or the eligible conversion costs of the eligible vessel, for a taxation year preceding the repayment year or that would have been so payable, in the case where the costs were incurred by the partnership referred to in the first paragraph, if the corporation's share of the income or loss of the partnership for the partnership's fiscal period that ends in that preceding taxation year and the partnership's income or loss for that fiscal period had been the same as those for the partnership's fiscal period that ends in the repayment year."

(2) Subsection 1 has effect from 22 April 2005.

295. (1) Section 1175.28.13 of the Act is amended by replacing "Part VI.2 or VI.3" by "any of Parts III.6.4, VI.2 and VI.3".

(2) Subsection 1 applies to a taxation year that ends after 22 March 2006.

296. (1) Section 1175.28.14 of the Act is amended by inserting the following paragraph after paragraph *a*:

"(a.1) the portion of that tax that is determined under subparagraph *a* of the third paragraph of that section and that may reasonably be considered as relating to a deduction under Title III.3 of Book V of Part I in relation to an expense, is deemed to be, for the purposes of Part I, except for that Title III.3 and the definition referred to in paragraph *a*, an amount of assistance repaid at that time by the person in respect of the expense pursuant to a legal obligation;"

(2) Subsection 1 applies to a taxation year that ends after 22 March 2006.

297. (1) Section 1175.29 of the Act is amended, in the first paragraph,

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

"“eligible asset” of the operator of a telecommunications system means an immovable subject to tax that is part of the operator's system and that

(a) is acquired or leased by the operator after 31 December 2005, but is not an immovable acquired or leased pursuant to an obligation in writing entered into before 1 January 2006 or the construction of which had begun before that date;

(b) begins to be used within a reasonable time after being so acquired or leased;

(c) is used mainly in the course of carrying on a business; and

(d) was not, before being acquired, used for any purpose or acquired to be used or leased for any purpose whatever; or

(e) was not, before being first leased as described in paragraph *a*, used for any purpose nor acquired to be used or leased for any purpose whatever other than to be so leased and the operator has never ceased leasing the property since its being so leased;”;

(2) by striking out the definition of “Minister”.

(2) Paragraph 1 of subsection 1 has effect from 1 January 2006.

298. (1) The Act is amended by inserting the following section after section 1175.30:

“1175.30.1. For the purposes of this Part, if, in any of the circumstances described in the second paragraph, a particular operator becomes, at any time, the owner of an immovable subject to tax or becomes the lessee of the immovable and the immovable subject to tax was, immediately before that time, an eligible asset of the operator that is the transferor or lessor of the immovable, the immovable subject to tax is deemed to be an eligible asset of the particular operator.

The circumstances to which the first paragraph refers are the following:

(a) the particular operator becomes the owner of the immovable subject to tax in the course of a reorganization in respect of which, if a dividend were received by a corporation in the course of the reorganization, section 308.1 would not apply to the dividend because of the application of section 308.3; and

(b) the operator that is the transferor or lessor of the immovable subject to tax is a person with whom the particular operator is not dealing at arm’s length, otherwise than because of a right referred to in paragraph *b* of section 20, at the time the particular operator becomes the owner of the immovable subject to tax or becomes the lessee of the immovable.”

(2) Subsection 1 has effect from 1 January 2006.

299. (1) Section 1175.32 of the Act is amended by replacing subparagraphs i and ii of paragraph *a* by the following subparagraphs:

“i. 0.70% of the aggregate of

(1) the portion of the net value of the assets forming part of the operator’s system, for the operator’s last fiscal period that ends in the preceding calendar year, that is attributable to immovables subject to tax that are not eligible assets and that does not exceed \$750,000,000, and

(2) the portion of the net value of the assets forming part of the operator’s system, for the operator’s last fiscal period that ends in the preceding calendar year, that is attributable to eligible assets, and

“ii. 10.5% of the portion of the net value of the assets forming part of the operator’s system, for the operator’s last fiscal period that ends in the preceding calendar year, that is attributable to immovables subject to tax that are not eligible assets and that exceeds \$750,000,000;”.

(2) Subsection 1 has effect from 1 January 2006.

300. (1) The Act is amended by inserting the following section after section 1175.35:

“**1175.35.1.** For the purpose of determining the amount of the tax payable under this Part by an operator for a calendar year, an immovable subject to tax that is transferred by the operator before the end of the last fiscal period ended in the preceding calendar year is deemed to be an immovable subject to tax of the operator at the end of the fiscal period if the Minister is of the opinion that the transfer is part of an operation or transaction or of a series of operations or transactions, one of the purposes of which is to reduce the amount of tax payable under this Part by the operator for the calendar year.”

(2) Subsection 1 applies in respect of a property transferred by an operator after 31 December 2005.

301. (1) The Act is amended by inserting the following section after section 1175.36:

“**1175.36.1.** Despite section 1175.36, if an operator transfers, in a calendar year, to a person or partnership an immovable subject to tax that forms part of a system of the operator, the following rules apply:

(a) in the case where the person or partnership is also an operator and

i. the immovable subject to tax is transferred by the operator in a fiscal period that ends in the calendar year, in this paragraph referred to as the “particular fiscal period”, the amount that is the excess amount, as it would have been shown in the operator’s financial statements had the operator still

owned the immovable subject to tax at the end of the particular fiscal period, that is the amount by which the cost of the immovable subject to tax exceeds the accumulated depreciation at the end of the fiscal period that precedes the particular fiscal period, must be added to the net value of the assets forming part of the operator's system for the operator's last fiscal period that ends in the calendar year, unless the immovable subject to tax forms part of a system of the person or partnership and is shown in the person's or partnership's financial statements for the person's or partnership's last fiscal period that ends in the calendar year, at the end of which the person or partnership owns the immovable, or

ii. the immovable subject to tax forms part of a system of the person or partnership and is shown both in the person's or partnership's financial statements for the person's or partnership's last fiscal period that ends in the calendar year, at the end of which the person or partnership owns the immovable, and in the transferor's financial statements for the transferor's last fiscal period that ends in the calendar year, the amount that is the amount by which the cost of the immovable subject to tax exceeds the accumulated depreciation, as shown in the person's or partnership's financial statements for that fiscal period, may be subtracted from the net value of the assets forming part of the person's or partnership's system for the person's or partnership's last fiscal period that ends in the calendar year; and

(b) in the case where the person or partnership is not an operator and the immovable subject to tax is transferred by the operator in a fiscal period that ends in the calendar year, in this paragraph referred to as the "particular fiscal period", the amount that is the proportion of the excess amount, as it would have been shown in the operator's financial statements had the operator still owned the immovable subject to tax at the end of the particular fiscal period, that is the amount by which the cost of the immovable subject to tax exceeds the accumulated depreciation at the end of the fiscal period that precedes the particular fiscal period, that the number of days in the particular fiscal period in which the operator owned the immovable subject to tax is of the number of days in the particular fiscal period, must be added to the net value of the assets of the operator for the operator's last fiscal period that ends in the calendar year."

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

302. (1) Section 1175.37 of the Act is repealed.

(2) Subsection 1 applies in respect of a property transferred by an operator after 31 December 2005. In addition, when section 1175.37 of the Act applies to the calendar year 2005, it reads as if "sold" and "sale" were replaced by "transferred" and "transfer", respectively.

303. (1) Section 1175.42 of the Act is amended by inserting "the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549," after "21,".

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

304. The Act, amended by chapter 3 of the statutes of 2007, is again amended

(1) by striking out the definition of “taxation year” in the following provisions:

- section 1129.0.16;
- section 1129.1;
- section 1129.4.0.1;
- section 1129.4.0.5;
- section 1129.4.0.13;
- section 1129.4.0.17;
- section 1129.4.0.21;
- section 1129.4.1;
- section 1129.4.3.1;
- section 1129.4.3.5;
- section 1129.4.3.22;
- the first paragraph of section 1129.4.3.26;
- section 1129.4.3.31;
- section 1129.4.7;
- section 1129.4.13;
- section 1129.4.23;
- section 1129.4.28;
- section 1129.5;
- the first paragraph of section 1129.12.12;
- the first paragraph of section 1129.12.17;
- section 1129.27.11;

- section 1129.45.1;
- section 1129.45.3.5.1;
- section 1129.45.3.5.7;
- the first paragraph of section 1129.45.3.6;
- the first paragraph of section 1129.45.3.10;
- the first paragraph of section 1129.45.3.14;
- the first paragraph of section 1129.45.3.18;
- the first paragraph of section 1129.45.3.22;
- the first paragraph of section 1129.45.3.26;
- the first paragraph of section 1129.45.3.30.1;
- the first paragraph of section 1129.45.3.30.6;
- the first paragraph of section 1129.45.3.31;
- section 1129.45.9;
- section 1129.45.13;
- section 1129.45.22;
- section 1129.45.32;
- section 1129.45.36;
- section 1129.45.41.1;
- section 1129.45.46;
- section 1129.51;
- section 1129.54.1;
- section 1129.55;
- section 1129.63;
- section 1129.67;

(2) by striking out the definition of “taxpayer” in the following provisions:

- section 1129.45.3.5.7;
- section 1129.45.22;
- section 1129.54.1;

(3) by striking out the definition of “filing-due date” in the following provisions:

- section 1129.4.0.1;
- section 1129.4.0.5;
- section 1129.4.0.13;
- section 1129.4.0.17;
- section 1129.4.7;
- section 1129.4.23;
- section 1129.45.22;
- section 1129.51;
- section 1129.63;

(4) by striking out the definition of “fiscal period” in the following provisions:

- section 1129.0.16;
- section 1129.4.13;
- section 1129.4.23;
- section 1129.12.8;
- section 1129.45.3.5.1;
- section 1129.45.3.5.7;
- section 1129.45.22;

(5) by striking out the definition of “Minister” in the following provisions:

- section 1086.9;

- section 1086.12.1;
- section 1086.12.5;
- section 1086.13;
- section 1086.19;
- section 1129.0.16;
- section 1129.1;
- section 1129.4.0.1;
- section 1129.4.0.5;
- section 1129.4.0.13;
- section 1129.4.0.17;
- section 1129.4.0.21;
- section 1129.4.1;
- section 1129.4.3.1;
- section 1129.4.3.5;
- section 1129.4.3.22;
- the first paragraph of section 1129.4.3.26;
- section 1129.4.3.31;
- section 1129.4.7;
- section 1129.4.13;
- section 1129.4.23;
- section 1129.4.28;
- section 1129.5;
- section 1129.12.8;
- the first paragraph of section 1129.12.12;
- the first paragraph of section 1129.12.17;

- section 1129.16;
- section 1129.23.1;
- section 1129.23.4.1;
- section 1129.23.4.5;
- section 1129.23.5;
- section 1129.24;
- section 1129.27.0.1;
- section 1129.27.1;
- section 1129.27.4.1;
- section 1129.27.5;
- section 1129.27.11;
- section 1129.28;
- section 1129.45.1;
- section 1129.45.3.5.1;
- section 1129.45.3.5.7;
- the first paragraph of section 1129.45.3.6;
- the first paragraph of section 1129.45.3.10;
- the first paragraph of section 1129.45.3.14;
- the first paragraph of section 1129.45.3.18;
- the first paragraph of section 1129.45.3.22;
- the first paragraph of section 1129.45.3.26;
- the first paragraph of section 1129.45.3.30.1;
- the first paragraph of section 1129.45.3.30.6;
- the first paragraph of section 1129.45.3.31;
- section 1129.45.9;

- section 1129.45.13;
- section 1129.45.22;
- section 1129.45.32;
- section 1129.45.36;
- section 1129.45.41.1;
- section 1129.45.46;
- section 1129.51;
- section 1129.54.1;
- section 1129.55;
- section 1129.63;
- section 1129.67;
- section 1130;
- section 1159.1;
- the first paragraph of section 1166;
- section 1175.1;
- section 1175.20;
- section 1175.23;
- section 1175.28.1;
- section 1176;
- section 1186.1;
- section 1186.6.

ACT RESPECTING THE MINISTÈRE DU REVENU

305. (1) Section 12.0.2 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by striking out subparagraphs *f* and *g* of the first paragraph.

(2) Subsection 1 applies in respect of a refund to which a person is entitled, or in respect of an amount payable by a public body to which a person is entitled, after 1 April 2007.

306. (1) Section 12.0.3 of the Act is amended by replacing the first paragraph by the following paragraph:

“**12.0.3.** The Minister may not, in respect of an amount that is the subject of an objection, an appeal or a summary appeal, during such time as an objection, appeal or summary appeal subsists in relation to an assessment, determination or decision referred to in section 12.0.2, or before the expiry of the time limit for making an objection or bringing an appeal or summary appeal,

(a) take the measures enumerated in the first paragraph of section 12.0.2;

(b) apply a refund to which a person is entitled to the payment of the amount, in accordance with the first paragraph of section 31; and

(c) apply an amount payable by a public body to which a person is entitled to the payment of the amount, under the first paragraph of section 31.1.1.”

(2) Subsection 1 applies in respect of a refund to which a person is entitled, or in respect of an amount payable by a public body to which a person is entitled, after 1 April 2007.

307. (1) Section 24.0.1 of the Act is amended by inserting the following paragraph after the first paragraph:

“In addition, if a corporation has obtained an amount as a net tax refund within the meaning of the Act respecting the Québec sales tax (chapter T-0.1) without being entitled to the amount and the corporation has omitted to remit the amount to the Minister, its directors in office on the date on which it obtained the refund become solidary debtors with the corporation for that amount and for the related interest and penalties in the cases described in the first paragraph.”

(2) Subsection 1 applies in respect of a net tax refund paid or allocated by the Minister after 28 June 2005.

YOUTH PROTECTION ACT

308. (1) Section 72.11 of the Youth Protection Act (R.S.Q., chapter P-34.1) is amended by inserting “of Title III of Book IX of Part I” after “Division II.11.2 of Chapter III.1”.

(2) Subsection 1 has effect from 15 June 2006.

ACT RESPECTING THE RÉGIE DE L'ASSURANCE MALADIE DU QUÉBEC

309. (1) Section 33 of the Act respecting the Régie de l'assurance maladie du Québec (R.S.Q., chapter R-5) is amended

(1) by replacing the definition of “exempt employer” in the first paragraph by the following definition:

““exempt employer”, at a particular time, means an employer who, subject to the second and third paragraphs and for a taxation year of the employer including the particular time, is either an exempt corporation within the meaning of sections 771.12 and 771.13 of the Taxation Act or, if that taxation year is the first taxation year of the employer or the taxation year during which the employer ceases to be such an exempt corporation because of any of subparagraphs *a* to *e* of the first paragraph of section 771.13 of that Act or because of the employer's failure to comply with the condition set out in paragraph *a* of section 771.12 of that Act, and the particular time is prior to the time when the earlier of one of the situations set out in subparagraphs *a* to *e* of that first paragraph or the failure to comply with the condition set out in paragraph *a* of section 771.12 occurs, would be such an exempt corporation were it not for those subparagraphs or that paragraph *a*;”;

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

“However, an employer is not an exempt employer at a particular time in a taxation year that is included in a day of that year that is referred to in the fourth paragraph of section 771.1 of that Act.

“Similarly, an employer who ceases, at the beginning of a taxation year, to be an exempt corporation within the meaning of sections 771.12 and 771.13 of the Taxation Act, because of subparagraph *f* or *g* of the first paragraph of section 771.13, is not an exempt employer at a particular time in the part of the preceding taxation year that begins at the time when the situation set out in that subparagraph occurs.”

(2) Paragraph 1 of subsection 1 has effect from 12 June 2003. However, when the definition of “exempt employer” in the first paragraph of section 33 of the Act applies before 31 March 2004, it reads as if “*a* to *e*” was replaced wherever it appears by “*a* to *d*”.

(3) In addition, when the definition of “exempt employer” in the first paragraph of section 33 of the Act applies before 13 June 2003 and to a taxation year that begins after 20 December 2001, it reads as if “subject to the second paragraph and” was inserted after “an employer who,”.

(4) Paragraph 2 of subsection 1 applies to a taxation year that begins after 20 December 2001, except when it enacts the third paragraph, in which case it has effect from 12 June 2003.

310. (1) Section 34.1.1 of the Act is amended

(1) by replacing “section 982 or 983 of the Taxation Act (chapter I-3) or” by “section 982 or 983 of the Taxation Act (chapter I-3) or under any of”;

(2) by inserting “and *f*” after “subparagraphs *a* to *c*”.

(2) Paragraph 2 of subsection 1 applies from the year 1993.

311. Section 37.4 of the Act is amended

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

“(b) where the individual receives in the year an amount as a supplement under the Old Age Security Act (Revised Statutes of Canada, 1985, chapter O-9) and if the individual so elects for the year, the portion relating to one or more preceding years of the amount described in the second paragraph that the individual includes in computing the family income for the year.”;

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

“The amount to which subparagraph *b* of the first paragraph refers is an amount received in the year by the individual or the individual’s eligible spouse as, or in lieu of, full or partial payment of a pension, supplement or allowance received under the Old Age Security Act.”

ACT RESPECTING THE QUÉBEC PENSION PLAN

312. (1) Section 45 of the Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is amended

(1) by inserting “, in relation to pensionable employment,” after “of the worker” in subparagraph *b* of the first paragraph;

(2) by striking out subparagraph *d* of the fourth paragraph.

(2) Subsection 1 has effect from 1 January 2006.

313. (1) Section 47 of the Act is amended by striking out “without reference to paragraph *v* of section 87 and to section 154.1 of the said Act” in the second paragraph.

(2) Subsection 1 has effect from 1 January 2006.

314. The heading before section 55 of the Act is replaced by the following heading:

“*Optional contribution*”.

315. (1) Section 78.0.1 of the Act is amended by replacing “pensionable salary and wages” by “salary and wages described in the second paragraph of section 50”.

(2) Subsection 1 has effect from 1 January 2006.

ACT RESPECTING PROPERTY TAX REFUND

316. (1) Section 3 of the Act respecting property tax refund (R.S.Q., chapter R-20.1) is amended by inserting “and *f*” after “any of subparagraphs *a* to *d*”.

(2) Subsection 1 applies to a year in relation to which the time limits provided for in section 21 of the Act had not expired on 21 June 2007.

ACT RESPECTING THE QUÉBEC SALES TAX

317. (1) Section 1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) is amended by inserting the following paragraph after paragraph 18.1 in the definition of “financial service”:

“(18.2) a debt collection service, rendered under an agreement between a person agreeing to provide, or arranging for, the service and a particular person other than the debtor, in respect of all or part of a debt, including a service of attempting to collect, arranging for the collection of, negotiating the payment of, or realizing or attempting to realize on a security given for, the debt, but does not include a service that consists solely of accepting from a person, other than the particular person, a payment of all or part of an account unless

(a) under the terms of the agreement the person rendering the service may attempt to collect all or part of the account or may realize or attempt to realize on a security given for the account, or

(b) the principal business of the person rendering the service is the collection of debt;”.

(2) Subsection 1 has effect in respect of the supply of a debt collection service rendered under an agreement if

(1) all or part of the consideration for the supply becomes due after 17 November 2005 or is paid after that date without having become due; or

(2) all of the consideration for the supply became due or was paid before 18 November 2005 unless the supplier did not, before that date, charge, collect or remit any amount as or on account of tax under Title I of the Act in respect of the supply or in respect of any other supply that includes a debt collection service and that is made under the agreement.

318. (1) Sections 69.3 and 69.4 of the Act are repealed.

(2) Subsection 1 applies in respect of

(1) any supply made after 30 June 2006; and

(2) computing tax in respect of any supply made before 1 July 2006, but only in respect of the portion of the tax that

(a) becomes payable after 30 June 2006, without having been paid before 1 July 2006; or

(b) is paid after 30 June 2006, without having become payable.

319. Section 112 of the Act is amended by replacing the first paragraph by the following paragraph:

“**112.** A supply made by a medical practitioner of a consultative, diagnostic, or treatment service or another health care service rendered to an individual is exempt.”

320. (1) Section 233 of the Act is amended by replacing the first paragraph by the following paragraph:

“**233.** Subject to section 234.0.1, a registrant who, at a particular time, makes a taxable supply of an immovable by way of sale may, despite sections 203 to 206 and subdivision 5, claim an input tax refund for the reporting period in which tax in respect of the taxable supply became payable or is deemed to have been collected, as the case may be, equal to the amount determined by the formula

$A \times B.$ ”

(2) Subsection 1 applies to a supply in respect of which tax becomes payable or would have become payable, but for sections 75.1 and 80 of the Act, after 30 June 2006.

321. (1) Section 234 of the Act is amended by replacing the portion before paragraph 1 by the following:

“**234.** Subject to section 234.0.1, if at a particular time a registrant that is a public sector body, other than a financial institution, makes a taxable supply of an immovable by way of sale, other than a supply that is deemed under section 243 or 259 to have been made, and, immediately before the time tax becomes payable in respect of the taxable supply, the immovable was not used by the registrant primarily in commercial activities of the registrant, the registrant may, despite sections 203 to 206 and subdivision 5, except where section 233 applies, claim an input tax refund for the reporting period in

which tax in respect of the taxable supply became payable or is deemed to have been collected, as the case may be, equal to the lesser of”.

(2) Subsection 1 applies to a supply in respect of which tax becomes payable or would have become payable, but for sections 75.1 and 80 of the Act, after 30 June 2006.

322. (1) The Act is amended by inserting the following section after section 234:

“234.0.1. If the taxable supply referred to in section 233 or 234 is made at a particular time by a public sector body to a person with whom the public sector body is not dealing at arm’s length, the value of A in the formula in section 233 and the amount of the input tax refund determined under section 234 must not exceed the lesser of

(1) the basic tax content of the immovable at that time, and

(2) the amount determined by the formula

$(A/B) \times C$.

For the purposes of the formula,

(1) A is the basic tax content of the immovable at that time;

(2) B is the amount that would be the basic tax content of the immovable at that time if that amount were determined without reference to the total of the amounts used for B in paragraph 2 of the definition of “basic tax content” in section 1; and

(3) C is the tax that is or would be, but for sections 75.1 and 80, payable in respect of the taxable supply.”

(2) Subsection 1 applies to a supply in respect of which tax becomes payable or would have become payable, but for sections 75.1 and 80 of the Act, after 30 June 2006.

323. (1) Section 275 of the Act is amended by replacing paragraphs 1 and 2 by the following paragraphs:

“(1) to have made, immediately before that day, a taxable supply of the immovable by way of sale and to have collected, on that day, tax in respect of the supply equal to the basic tax content of the immovable on that day; and

“(2) to have received, on that day, a taxable supply of the immovable by way of sale and to have paid, on that day, tax in respect of the supply equal to the basic tax content of the immovable on that day.”

(2) Subsection 1 applies in respect of an election that is revoked and ceases to have effect after 1 May 2006.

324. Section 359 of the Act is amended

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

“(b) paid tax in respect of the instrument equal to the amount determined by multiplying the prescribed part or amount of the capital cost in respect of that instrument that was deductible under the Taxation Act (chapter I-3) in computing the individual’s income from the partnership for that calendar year, by 7.5/107.5;”;

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

“(b) paid, in that reporting period, tax in respect of that acquisition equal to the amount determined by multiplying the following amount by 7.5/107.5:”.

325. (1) Section 362.3 of the Act is amended by replacing “\$5,642” in subparagraph 2 of the first paragraph by “\$5,607”.

(2) Subsection 1 applies to a rebate in respect of the supply by way of sale of a residential complex in respect of which ownership was transferred after 30 June 2006, unless the tax payable under subsection 1 of section 165 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) applied at the rate of 7% in respect of the supply of the residential complex.

326. (1) Section 370.0.1 of the Act is amended by replacing “\$258,806” in subparagraph 3 of the first paragraph by “\$256,388”.

(2) Subsection 1 applies in respect of a supply to a particular individual of a building or part of it in which a residential unit forming part of a residential complex is situated if possession of the residential unit is transferred to the particular individual after 30 June 2006, unless the builder is deemed under section 191 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) to have paid tax under subsection 1 of section 165 of the Excise Tax Act calculated at the rate of 7% in respect of the supply referred to in paragraph *d* of subsection 2 of section 254.1 of the Excise Tax Act.

327. (1) Section 370.0.2 of the Act is amended

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

“(1) if the fair market value referred to in subparagraph 3 of the first paragraph of section 370.0.1 is not more than \$227,900, the amount determined by the formula

$[2.46\% \times (A - B)] + (7.5\% \times B)$; and

“(2) if the fair market value referred to in subparagraph 3 of the first paragraph of section 370.0.1 is more than \$227,900 but less than \$256,388, the amount determined by the formula

$\{[2.46\% \times (A - B)] \times [(\$256,388 - C) / \$28,488]\} + (7.5\% \times B)$.”;

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

“For the purposes of this section, the amount obtained by multiplying 2.46% by the difference between A and B may not exceed \$5,607.”

(2) Subsection 1 applies in respect of a supply to a particular individual of a building or part of it in which a residential unit forming part of a residential complex is situated if possession of the residential unit is transferred to the particular individual after 30 June 2006, unless the builder is deemed under section 191 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) to have paid tax under subsection 1 of section 165 of the Excise Tax Act calculated at the rate of 7% in respect of the supply referred to in paragraph *d* of subsection 2 of section 254.1 of the Excise Tax Act.

328. (1) Section 370.3.1 of the Act is amended by replacing “\$258,806” by “\$256,388”.

(2) Subsection 1 applies in respect of a supply to a particular individual of a building or part of it in which a residential unit forming part of a residential complex is situated if possession of the residential unit is transferred to the particular individual after 30 June 2006, unless the builder is deemed under section 191 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) to have paid tax under subsection 1 of section 165 of the Excise Tax Act calculated at the rate of 7% in respect of the supply referred to in paragraph *d* of subsection 2 of section 254.1 of the Excise Tax Act.

329. (1) Section 370.5 of the Act is amended by replacing “\$258,806” in paragraph 4 by “\$256,388”.

(2) Subsection 1 applies for the purpose of computing the rebate in respect of a supply made by a cooperative housing corporation to an individual of a share of the capital stock of the corporation, if the individual is acquiring the share for the purpose of using a residential unit in the residential complex as the primary place of residence of the individual, an individual related to the individual or a former spouse of the individual and the rebate application is filed after 30 June 2006, unless the corporation paid tax calculated at the rate of 7% under subsection 1 of section 165 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex to the corporation.

330. (1) Section 370.6 of the Act is amended

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

“(1) if the total consideration is not more than \$227,900, the amount determined by the formula

$$[2.46\% \times (A - B)] + (7.5\% \times B); \text{ and}$$

“(2) if the total consideration is more than \$227,900 but less than \$256,388, the amount determined by the formula

$$\{\$5,607 \times [(\$256,388 - A) / \$28,488]\} + (7.5\% \times B).”;$$

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

“For the purposes of this section, the amount obtained by multiplying 2.46% by the difference between A and B may not exceed \$5,607.”

(2) Subsection 1 applies for the purpose of computing the rebate in respect of a supply made by a cooperative housing corporation to an individual of a share of the capital stock of the corporation, if the individual is acquiring the share for the purpose of using a residential unit in the residential complex as the primary place of residence of the individual, an individual related to the individual or a former spouse of the individual and the rebate application is filed after 30 June 2006, unless the corporation paid tax calculated at the rate of 7% under subsection 1 of section 165 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex to the corporation.

331. (1) Section 370.8 of the Act is amended by replacing “\$258,806” by “\$256,388”.

(2) Subsection 1 applies for the purpose of computing the rebate in respect of a supply made by a cooperative housing corporation to an individual of a share of the capital stock of the corporation, if the individual is acquiring the share for the purpose of using a residential unit in the residential complex as the primary place of residence of the individual, an individual related to the individual or a former spouse of the individual and the rebate application is filed after 30 June 2006, unless the corporation paid tax calculated at the rate of 7% under subsection 1 of section 165 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex to the corporation.

332. (1) Section 370.10 of the Act is amended by replacing the third paragraph by the following paragraph:

“For the purposes of this section, the amount obtained by multiplying 36% by the difference between A and B may not exceed,

(1) in the case where all or substantially all of the tax was paid at a time when the tax payable under Part IX of the Excise Tax Act was paid at the rate of 6%, \$5,607;

(2) in the case where all of the tax was paid at a time when the tax payable under Part IX of the Excise Tax Act was paid at the rate of 7%, \$5,642; and

(3) in any other case, the amount determined by the formula

$$(D \times \$35) + \$5,607.$$

For the purposes of the formula in subparagraph 3 of the third paragraph, D is the percentage that corresponds to the extent to which the tax was paid at a time when the tax payable under Part IX of the Excise Tax Act was paid at the rate of 7%.”

(2) Subsection 1 applies to a rebate in respect of a residential complex for which an application is filed with the Minister after 30 June 2006.

333. (1) Section 378.7 of the Act is amended by replacing “\$5,642” in subparagraph 1 of the second paragraph by “\$5,607”.

(2) Subsection 1 applies in respect of

(1) a taxable supply to a recipient from another person of a residential complex, or an interest in a residential complex, in respect of which ownership and possession under the agreement for the supply are transferred after 30 June 2006, unless the agreement is evidenced in writing and was entered into before 3 May 2006; and

(2) a deemed purchase, within the meaning of subparagraph *b* of paragraph 1 of section 378.6 of the Act, by a builder if the tax in respect of the deemed purchase of a residential complex or an addition to it is deemed to have been paid after 30 June 2006.

334. (1) Section 378.9 of the Act is amended by replacing “\$5,642” in subparagraph 1 of the second paragraph by “\$5,607”.

(2) Subsection 1 applies to a supply of a building or part of it forming part of a residential complex and a supply of land described in subparagraphs *a* and *b* of paragraph 1 of section 378.8 of the Act, that result in a person being deemed under sections 223 to 231.1 of the Act to have made and received a taxable supply by way of sale of the residential complex or of an addition to it after 30 June 2006, unless the supply is deemed to have been made as a consequence of the builder transferring possession of a residential unit in the residential complex or the addition to a person under an agreement for the supply by way of sale of the building or part of it forming part of the residential complex or the addition and

(1) the agreement was entered into before 3 May 2006; or

(2) another agreement was entered into before 3 May 2006 by the builder and another person, and that other agreement was not terminated before 1 July 2006 and was for the supply by way of sale of the building or part of it forming part of

(a) in the case of a deemed supply of a residential complex, the residential complex; or

(b) in the case of a deemed supply of an addition, the addition.

335. (1) Section 378.11 of the Act is amended by replacing “\$5,642” in subparagraph 1 of the second paragraph by “\$5,607”.

(2) Subsection 1 applies in respect of

(1) a taxable supply by way of sale to a recipient from another person of a residential complex, or an interest in a residential complex, in respect of which ownership and possession under the agreement for the supply are transferred after 30 June 2006, unless the agreement is evidenced in writing and was entered into before 3 May 2006; and

(2) a deemed purchase, within the meaning of subparagraph *b* of paragraph 1 of section 378.10 of the Act, by a builder if the tax in respect of the deemed purchase of a residential complex or an addition to it is deemed to have been paid after 30 June 2006.

336. (1) Section 379 of the Act is amended by replacing the portion before paragraph 1 by the following:

“**379.** Subject to sections 379.1 and 380, a person who is not a registrant and who makes a taxable supply by way of sale of an immovable is entitled to a rebate equal to the lesser of”.

(2) Subsection 1 applies to a supply in respect of which tax becomes payable or would have become payable, but for sections 75.1 and 80 of the Act, after 30 June 2006.

337. (1) The Act is amended by inserting the following section after section 379:

“**379.1.** If the taxable supply referred to in section 379 is made at a particular time by a public sector body to a person with whom the public sector body is not dealing at arm’s length, the rebate under that section must not exceed the lesser of

(1) the basic tax content of the immovable at that time; and

(2) the amount determined by the formula

$A/B \times C$.

For the purposes of the formula,

(1) A is the basic tax content of the immovable at that time;

(2) B is the amount that would be the basic tax content of the immovable at that time if that amount were determined without reference to the total of the amounts used for B in paragraph 2 of the definition of “basic tax content” in section 1; and

(3) C is the tax that is or would be, but for sections 75.1 and 80, payable in respect of the taxable supply.”

(2) Subsection 1 applies to a supply in respect of which tax becomes payable or would have become payable, but for sections 75.1 and 80 of the Act, after 30 June 2006.

338. (1) Section 383 of the Act is amended by replacing subparagraph *b* of paragraph 1 in the definition of “non-refundable input tax charged” by the following subparagraph:

“(b) tax deemed under sections 209, 223 to 231.1, 323.1, 341.1 and 341.7 to have been collected during the period by the person in respect of the property or service,”.

(2) Subsection 1 applies in respect of tax deemed to have been collected after 1 May 2006.

339. Section 480 of the Act is replaced by the following section:

“**480.** An avoidance transaction means any transaction that, but for this chapter, would result, directly or indirectly, in a tax benefit, or that is part of a series of transactions, which series, but for this chapter, would result, directly or indirectly, in a tax benefit, unless the transaction may reasonably be considered, in either case, to have been undertaken or arranged primarily for *bona fide* purposes other than to obtain the tax benefit.”

340. (1) Section 481 of the Act is replaced by the following section:

“**481.** Section 479 applies to a transaction only if it may reasonably be considered that

(1) but for this chapter, the transaction would directly or indirectly result in an abuse in the application of the provisions of one or more of

(a) this Title,

(b) the Regulation respecting the Québec sales tax, made by Order in Council 1607-92 (1992, G.O. 2, 4952), as regards the provisions relating to the application of this Title, or

(c) any other legislative or regulatory provision that is relevant for computing the tax or another amount payable by a person or refundable to a person under this Title, or for determining an amount that is to be taken into account in that computation; or

(2) the transaction would directly or indirectly result in an abuse in the application of the provisions referred to in paragraph 1, other than this chapter, read as a whole.”

(2) Subsection 1 applies in respect of a transaction entered into after 30 September 1991.

341. (1) Section 482 of the Act is amended

(1) by inserting “and despite any other legislative or regulatory provision” after “section 479” in the portion before paragraph 1;

(2) by replacing paragraphs 1 and 2 by the following paragraphs:

“(1) any input tax refund, deduction or exclusion in computing tax or net tax payable may be allowed or disallowed in whole or in part;

“(2) all or part of any refund, deduction or exclusion referred to in paragraph 1 may be allocated to any person;”.

(2) Subsection 1 applies in respect of a transaction entered into after 30 September 1991.

342. (1) Section 541.24 of the Act is amended by replacing “supply’s fair market value” in the third paragraph by “fair market value of the overnight stay”.

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

343. (1) The Act is amended by inserting the following division after section 670:

“DIVISION II.1

“TRANSITIONAL SALES TAX REBATE IN RESPECT OF A RESIDENTIAL COMPLEX

“**670.1.** Subject to section 670.12, a particular person, other than a cooperative housing corporation, is entitled to a rebate determined in accordance with section 670.2 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into before 3 May 2006, the particular person is the recipient of a taxable supply by way of sale from another person of a residential complex in respect of which ownership and possession under the agreement are transferred to the particular person after 30 June 2006;

(2) the particular person is entitled to claim a rebate under subsection 1 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex;

(3) the particular person has paid all of the tax under section 16 in respect of the supply of the residential complex; and

(4) the particular person is not entitled to claim an input tax refund or a rebate, other than a rebate under this section, in respect of the tax referred to in paragraph 3.

“670.2. For the purposes of section 670.1, the rebate to which a particular person is entitled in respect of the supply of a residential complex is equal to 7.5% of the amount of the rebate to which the particular person is entitled under subsection 1 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

“670.3. Subject to section 670.12, a particular person, other than a cooperative housing corporation, is entitled to a rebate determined in accordance with section 670.4 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into before 3 May 2006, the particular person is the recipient of a taxable supply by way of sale from another person of a residential complex in respect of which ownership and possession under the agreement are transferred to the particular person after 30 June 2006;

(2) the particular person is entitled to claim a rebate under subsection 2 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex;

(3) the particular person has paid all of the tax under section 16 in respect of the supply of the residential complex; and

(4) the particular person is entitled to claim a rebate under section 378.6 or 378.14 in respect of a residential unit situated in the residential complex.

“670.4. For the purposes of section 670.3, the rebate to which a particular person is entitled, in respect of the supply of a residential complex, is equal to the amount determined by the formula

$$A \times 7.5\% \times (1 - B/C).$$

For the purposes of the formula,

(1) A is the amount of the rebate to which the particular person is entitled under subsection 2 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex;

(2) B is the amount by which the amount of the rebate to which the particular person is entitled under section 378.6 or 378.14 in respect of the supply of the residential complex, exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the particular person is entitled under subsection 3 of section 256.2 of the Excise Tax Act in respect of the supply of the residential complex; and

(3) C is the amount by which the amount of tax payable by the particular person under section 16 in respect of the supply of the residential complex, exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the particular person is entitled under subsection 3 of section 256.2 of the Excise Tax Act in respect of the supply of the residential complex.

“670.5. Subject to section 670.12, a particular person, other than a cooperative housing corporation, is entitled to a rebate determined in accordance with section 670.6 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into before 3 May 2006, the particular person is the recipient of a taxable supply by way of sale from another person of a residential complex in respect of which ownership and possession under the agreement are transferred to the particular person after 30 June 2006;

(2) the particular person is entitled to claim a rebate under subsection 3 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex;

(3) the particular person has paid all of the tax under section 16 in respect of the supply of the residential complex; and

(4) the particular person is entitled to claim a rebate under sections 383 to 388, 389 and 394 to 397.2 in respect of the tax referred to in paragraph 3 but is not entitled to claim an input tax refund or any other rebate, other than a rebate under this section, in respect of that tax.

“670.6. For the purposes of section 670.5, the rebate to which a particular person is entitled in respect of the supply of a residential complex is equal to 7.5% of the amount of the rebate to which the particular person is entitled under subsection 3 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

“670.7. Subject to section 670.12, a cooperative housing corporation is entitled to a rebate determined in accordance with section 670.8 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into before 3 May 2006, the cooperative housing corporation is the recipient of a taxable supply by way of sale from another person of a residential complex in respect of which ownership and possession under the agreement are transferred to the cooperative housing corporation after 30 June 2006;

(2) the cooperative housing corporation is entitled to claim a rebate under subsection 4 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex;

(3) the cooperative housing corporation has paid all of the tax under section 16 in respect of the supply of the residential complex; and

(4) the cooperative housing corporation is not entitled to claim an input tax refund or a rebate, other than a rebate under this section or under sections 378.10, 378.14, 383 to 388, 389 and 394 to 397.2, in respect of the tax referred to in paragraph 3.

“670.8. For the purposes of section 670.7, the rebate to which a cooperative housing corporation is entitled in respect of the supply of a residential complex is equal

(1) in the case where the cooperative housing corporation is entitled to claim a rebate under sections 383 to 388, 389 and 394 to 397.2 in respect of the supply of the residential complex, to the result obtained by multiplying 7.5% by the amount of the rebate to which the cooperative housing corporation is entitled under subsection 4 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex, if B in the formula in that subsection is the amount provided for in clause B of subparagraph i of that subsection;

(2) in the case where the cooperative housing corporation is not entitled to claim a rebate under sections 383 to 388, 389 and 394 to 397.2 in respect of the supply of the residential complex, and the cooperative housing corporation is entitled to, or can reasonably expect to be entitled to, claim a rebate under section 378.10 in respect of a residential unit situated in a residential complex or it is the case that, or it can reasonably be expected that, a share of the capital stock of the cooperative housing corporation is or will be sold to a particular individual for the purpose of using a residential unit situated in the residential complex as the primary place of residence of the particular individual, of an individual related to the particular individual or of a former spouse of the particular individual, and that the particular individual is or will be entitled to claim a rebate under section 370.5 in respect of the share of the capital stock, to the amount determined by the formula

$A - (36\% \times A)$; and

(3) in any other case, to the result obtained by multiplying 7.5% by the amount of the rebate to which the cooperative housing corporation is entitled under subsection 4 of section 256.3 of the Excise Tax Act in respect of the supply of the residential complex.

For the purposes of the formula in subparagraph 2 of the first paragraph, A is the amount obtained by multiplying 7.5% by the amount of the rebate to which the cooperative housing corporation is entitled under subsection 4 of section 256.3 of the Excise Tax Act in respect of the supply of the residential complex, if B in the formula in that subsection is the amount provided for in subparagraph ii of that subsection.

“670.9. Subject to section 670.12, a particular individual is entitled to a rebate determined in accordance with section 670.10 if

(1) pursuant to an agreement of purchase and sale, evidenced in writing and entered into before 3 May 2006, the particular individual is the recipient of a taxable supply by way of sale from another person of a residential complex in respect of which ownership and possession under the agreement are transferred to the particular individual after 30 June 2006;

(2) the particular individual is entitled to claim a rebate under subsection 5 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex;

(3) the particular individual has paid all of the tax under section 16 in respect of the supply of the residential complex; and

(4) the particular individual is entitled to claim a rebate under section 362.2 or 368.1 in respect of the residential complex.

“670.10. For the purposes of section 670.9, the rebate to which a particular individual is entitled, in respect of the supply of a residential complex, is equal to the amount determined by the formula

$$A \times 7.5\% \times (1 - B/C).$$

For the purposes of the formula,

(1) A is the amount of the rebate to which the particular individual is entitled under subsection 5 of section 256.3 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the supply of the residential complex;

(2) B is the amount by which the amount of the rebate to which the particular individual is entitled under section 362.2 or 368.1 in respect of the supply of the residential complex, exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the particular individual is entitled under subsection 2 of section 254 of the Excise Tax Act in respect of the supply of the residential complex; and

(3) C is the amount by which the amount of tax payable by the particular individual under section 16 in respect of the supply of the residential complex, exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the particular individual is entitled under subsection 2 of section 254 of the Excise Tax Act in respect of the supply of the residential complex.

“670.11. If a supply of a residential complex is made to two or more individuals, a reference in sections 670.9 and 670.10 to a particular individual is to be read as a reference to all of those individuals as a group, but only the particular individual who applied for the rebate under sections 362.2 to 370 may apply for the rebate under section 670.9.

“670.12. A person is entitled to a rebate under sections 670.1 to 670.11 in respect of a residential complex only if the person applies for the rebate within two years after the day on which ownership of the residential complex is transferred to the person.

“670.13. Subject to section 670.22, a particular person is entitled to a rebate determined in accordance with section 670.14 if

(1) under an agreement, evidenced in writing, entered into before 3 May 2006 between the particular person and the builder of a residential complex that is a single unit residential complex or a residential unit held in co-ownership, the particular person is the recipient of

(a) an exempt supply by way of lease of the land forming part of the residential complex or an exempt supply of such a lease by way of assignment, and

(b) an exempt supply by way of sale of all or part of the building in which the residential unit forming part of the residential complex is situated;

(2) possession of the residential complex is given to the particular person under the agreement after 30 June 2006;

(3) the builder is deemed to have made and received the supply of the residential complex under section 223 as a consequence of giving possession of the residential complex to the particular person under the agreement and to have paid tax under section 16 in respect of the supply;

(4) the particular person is entitled to claim a rebate under section 370.0.1 or 370.3.1 in respect of the residential complex; and

(5) the particular person is entitled to claim a rebate under paragraph *e* of subsection 1 of section 256.4 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

“670.14. For the purposes of section 670.13, the rebate to which a particular person is entitled, in respect of the residential complex, is equal to the amount determined by the formula

$$A \times 7.5\% \times (1 - B/C).$$

For the purposes of the formula in the first paragraph,

(1) A is the amount of the rebate to which the particular person is entitled under paragraph *e* of subsection 1 of section 256.4 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex;

(2) B is the amount by which the amount of the rebate to which the particular person is entitled under section 370.0.1 or 370.3.1 in respect of the residential complex, exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the particular person is entitled under subsection 2 of section 254.1 of the Excise Tax Act in respect of the residential complex; and

(3) C is the amount determined by the formula

$$(D \times 7.5/107.5) - E.$$

For the purposes of the formula in subparagraph 3 of the second paragraph,

(1) D is the total of all amounts each of which is the consideration payable by the particular person to the builder for the supply by way of sale to the particular person of all or part of the building referred to in subparagraph *b* of paragraph 1 of section 670.13 or of any other structure that forms part of the residential complex, other than consideration that can reasonably be considered to be rent for the supplies of the land attributable to the residential complex or as consideration for the supply of an option to purchase that land; and

(2) E is the result obtained by multiplying 7.5% by the amount of the rebate to which the particular person is entitled under subsection 2 of section 254.1 of the Excise Tax Act in respect of the residential complex.

“670.15. Subject to section 670.22, a builder is entitled to a rebate determined in accordance with section 670.16 if

(1) under an agreement, evidenced in writing, entered into before 3 May 2006 between a particular person and the builder of a residential complex that is a single unit residential complex or a residential unit held in co-ownership, the builder makes to the particular person

(a) an exempt supply by way of lease of the land forming part of the residential complex or an exempt supply of such a lease by way of assignment, and

(b) an exempt supply by way of sale of all or part of the building in which the residential unit forming part of the residential complex is situated;

(2) possession of the residential complex is given to the particular person under the agreement after 30 June 2006;

(3) the builder is deemed to have made and received the supply of the residential complex under section 223 as a consequence of giving possession of the residential complex to the particular person under the agreement and to have paid tax under section 16 in respect of the supply;

(4) the particular person is entitled to claim a rebate under section 370.0.1 or 370.3.1 in respect of the residential complex;

(5) the builder is not entitled to claim an input tax refund or a rebate, other than a rebate under this section or under section 378.8 or 378.14, in respect of the tax referred to in paragraph 3; and

(6) the builder is entitled to claim a rebate under paragraph *f* of subsection 1 of section 256.4 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

“670.16. For the purposes of section 670.15, the rebate to which a builder is entitled, in respect of the residential complex, is equal to the amount determined by the formula

$$A \times 7.5\% \times (1 - B/C).$$

For the purposes of the formula,

(1) A is the amount of the rebate to which the builder is entitled under paragraph *f* of subsection 1 of section 256.4 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex;

(2) B is the amount by which the amount of the rebate to which the builder is entitled under section 378.8 or 378.14 in respect of the residential complex, exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the builder is entitled under subsection 4 of section 256.2 of the Excise Tax Act in respect of the residential complex; and

(3) C is the amount by which the amount of the tax payable under section 16 in respect of the supply deemed to have been made under section 223, exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the builder is entitled under subsection 4 of section 256.2 of the Excise Tax Act in respect of the residential complex.

“670.17. Subject to section 670.22, a particular person is entitled to a rebate determined in accordance with section 670.18 if

(1) under an agreement, evidenced in writing, entered into before 3 May 2006 between the particular person and the builder of a residential complex that is a single unit residential complex or a residential unit held in co-ownership, the particular person is the recipient of

(a) an exempt supply by way of lease of the land forming part of the residential complex or an exempt supply of such a lease by way of assignment, and

(b) an exempt supply by way of sale of all or part of the building in which the residential unit forming part of the residential complex is situated;

(2) possession of the residential complex is given to the particular person under the agreement after 30 June 2006;

(3) the builder is deemed to have made and received the supply of the residential complex under section 223 as a consequence of giving possession of the residential complex to the particular person under the agreement and to have paid tax under section 16 in respect of the supply;

(4) the particular person is not entitled to claim a rebate under section 370.0.1 in respect of the residential complex; and

(5) the particular person is entitled to claim a rebate under paragraph *e* of subsection 2 of section 256.4 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

“670.18. For the purposes of section 670.17, the rebate to which a particular person is entitled in respect of the residential complex is equal to 7.5% of the amount of the rebate to which the particular person is entitled under paragraph *e* of subsection 2 of section 256.4 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

“670.19. Subject to section 670.22, a builder is entitled to a rebate determined in accordance with section 670.20 if

(1) under an agreement, evidenced in writing, entered into before 3 May 2006 between a particular person and the builder of a residential complex that is a single unit residential complex or a residential unit held in co-ownership, the builder makes to the particular person

(a) an exempt supply by way of lease of the land forming part of the residential complex or an exempt supply of such a lease by way of assignment, and

(b) an exempt supply by way of sale of all or part of the building in which the residential unit forming part of the residential complex is situated;

(2) possession of the residential complex is given to the particular person under the agreement after 30 June 2006;

(3) the builder is deemed to have made and received the supply of the residential complex under section 223 as a consequence of giving possession of the residential complex to the particular person under the agreement and to have paid tax under section 16 in respect of the supply;

(4) the particular person is not entitled to claim a rebate under section 370.0.1 in respect of the residential complex;

(5) the builder is not entitled to claim an input tax refund or a rebate, other than a rebate under this section, in respect of the tax referred to in paragraph 3; and

(6) the builder is entitled to claim a rebate under paragraph *f* of subsection 2 of section 256.4 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex.

“670.20. For the purposes of section 670.19, the rebate to which a builder is entitled in respect of the residential complex is equal to 7.5% of the amount of the rebate to which the builder is entitled under paragraph *f* of subsection 2 of section 256.4 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).

“670.21. If the supplies referred to in sections 670.13 to 670.20 are made to two or more individuals, a reference in those sections to a particular person is to be read as a reference to all of those individuals as a group, but, in the case of a rebate under section 670.13, only the individual who applied for the rebate under sections 370.0.1 to 370.4 may apply for the rebate under section 670.13.

“670.22. A person is entitled to a rebate under sections 670.13 to 670.21 in respect of a residential complex only if the person applies for the rebate within two years after

(1) in the case of a rebate to a person other than the builder of the residential complex, the day on which possession of the residential complex is transferred to the person; and

(2) in the case of a rebate to the builder of the residential complex, the end of the month in which the tax referred to in paragraph 3 of sections 670.15 and 670.19 is deemed to have been paid by the builder.

“670.23. Subject to section 670.26, a particular person is entitled to a rebate determined in accordance with section 670.24 if

(1) under an agreement, evidenced in writing, entered into between the particular person and the builder of a residential complex, other than a single unit residential complex or a residential unit held in co-ownership, or an addition to it, the particular person is the recipient of

(a) an exempt supply by way of lease of the land forming part of the residential complex or an exempt supply of such a lease by way of assignment, and

(b) an exempt supply by way of sale of all or part of the building in which a residential unit forming part of the residential complex or of the addition is situated;

(2) possession of a residential unit forming part of the residential complex or of the addition is given to the particular person under the agreement after 30 June 2006;

(3) the builder is deemed under section 225 or 226 to have made and received the supply of the residential complex or of the addition as a consequence of

(a) giving possession of the residential unit to the particular person under the agreement, or

(b) giving possession of a residential unit forming part of the residential complex or of the addition to another person under an agreement referred to in paragraph 1 entered into between the other person and the builder;

(4) the builder is deemed to have paid tax under section 16 in respect of the supply;

(5) where the builder is deemed to have paid the tax referred to in paragraph 4 after 30 June 2006, it is the case that

(a) the builder and the particular person entered into the agreement before 3 May 2006, or

(b) the builder and a person, other than the particular person, before 3 May 2006, entered into an agreement referred to in paragraph 1 in respect of a residential unit situated in the residential complex or in the addition that the builder is deemed to have supplied under paragraph 3 and that agreement was not terminated before 1 July 2006; and

(6) the particular person is entitled to claim a rebate under subsection 1 of section 256.5 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex or of the addition.

“670.24. For the purposes of section 670.23, the rebate to which a particular person is entitled, in respect of the residential complex or of the addition to it, is equal

(1) if the particular person is entitled to claim a rebate under section 370.0.1 or 370.3.1 in respect of the residential complex, to the amount determined by the formula

$A \times 7.5\% \times (1 - B/C)$; and

(2) if the particular person is not entitled to claim a rebate under section 370.0.1 or 370.3.1 in respect of the residential complex, to the result obtained by multiplying 7.5% by the amount of the rebate to which the particular person is entitled under paragraph *g* of subsection 1 of section 256.5 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex or of the addition.

For the purposes of the formula in subparagraph 1 of the first paragraph,

(1) A is the amount of the rebate to which the particular person is entitled under paragraph *f* of subsection 1 of section 256.5 of the Excise Tax Act in respect of the residential complex;

(2) B is the amount by which the amount of the rebate to which the particular person is entitled under section 370.0.1 or 370.3.1 in respect of the residential complex, exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the particular person is entitled under subsection 2 of section 254.1 of the Excise Tax Act in respect of the residential complex; and

(3) C is the amount determined by the formula

$$(D \times 7.5/107.5) - E.$$

For the purposes of the formula in subparagraph 3 of the second paragraph,

(1) D is the total of all amounts each of which is the consideration payable by the particular person to the builder for the supply by way of sale to the particular person of all or part of the building referred to in subparagraph *b* of paragraph 1 of section 670.23 or of any other structure that forms part of the residential complex, other than consideration that can reasonably be considered to be rent for the supplies of the land attributable to the residential complex or as consideration for the supply of an option to purchase that land; and

(2) E is the result obtained by multiplying 7.5% by the amount of the rebate to which the particular person is entitled under subsection 2 of section 254.1 of the Excise Tax Act in respect of the residential complex.

“670.25. If the supplies referred to in sections 670.23 and 670.24 are made to two or more individuals, a reference in those sections to a particular person is to be read as a reference to all of those individuals as a group, but, in the case of a rebate under subparagraph 1 of the first paragraph of section 670.24, only the individual who applied for the rebate under sections 370.0.1 to 370.4 may apply for the rebate under that paragraph.

“670.26. A person is entitled to a rebate under section 670.23 in respect of a residential complex only if the person applies for the rebate within two years after the day on which possession of the residential unit referred to in paragraph 2 of section 670.23 is transferred to the person.

“670.27. Subject to section 670.29, a builder is entitled to a rebate determined in accordance with section 670.28 if

(1) under an agreement, evidenced in writing, entered into between a particular person and the builder of a residential complex, other than a single unit residential complex or a residential unit held in co-ownership, or an addition to it, the builder makes to the particular person

(a) an exempt supply by way of lease of the land forming part of the residential complex or an exempt supply of such a lease by way of assignment, and

(b) an exempt supply by way of sale of all or part of the building in which a residential unit forming part of the residential complex or of the addition is situated;

(2) the builder is deemed under section 225 or 226 to have made and received the supply of the residential complex or of the addition after 30 June 2006 as a consequence of

(a) giving possession of the residential unit to the particular person under the agreement, or

(b) giving possession of a residential unit forming part of the residential complex or of the addition to a person other than the particular person under an agreement referred to in paragraph 1 entered into between the other person and the builder;

(3) it is the case that

(a) the builder and the particular person entered into the agreement before 3 May 2006, or

(b) the builder and a person, other than the particular person, before 3 May 2006, entered into an agreement referred to in paragraph 1 in respect of a residential unit situated in the residential complex or in the addition that the builder is deemed to have supplied under paragraph 2 and that agreement was not terminated before 1 July 2006;

(4) the builder is deemed to have paid tax under section 16 in respect of the supply referred to in paragraph 2;

(5) the builder is not entitled to claim an input tax refund or a rebate, other than a rebate under this section or under section 378.8 or 378.14, in respect of the tax referred to in paragraph 4; and

(6) the builder is entitled to claim a rebate under subsection 1 of section 256.6 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex or of the addition.

“**670.28.** For the purposes of section 670.27, the rebate to which a builder is entitled, in respect of the residential complex or of the addition to it, is equal to the amount determined by the formula

$$A \times 7.5\% \times (1 - B/C).$$

For the purposes of the formula,

(1) A is the amount of the rebate to which the builder is entitled under subsection 1 of section 256.6 of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of the residential complex or of the addition;

(2) B is the amount by which the amount of the rebate to which the builder is entitled under section 378.8 or 378.14 in respect of the residential complex or of the addition, exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the builder is entitled under subsection 4 of section 256.2 of the Excise Tax Act in respect of the residential complex or of the addition; and

(3) C is the amount by which the amount of the tax payable under section 16 in respect of the supply deemed to have been made under section 225 or 226 exceeds the result obtained by multiplying 7.5% by the amount of the rebate to which the builder is entitled under subsection 4 of section 256.2 of the Excise Tax Act in respect of the residential complex or of the addition.

“**670.29.** A builder is entitled to a rebate under section 670.27 in respect of a residential complex or of an addition to it only if the builder applies for the rebate within two years after the end of the month in which the tax referred to in section 670.27 is deemed to have been paid by the builder.”

(2) Subsection 1 has effect from 1 July 2006.

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

344. (1) Section 516 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

(1) by replacing the portion before subparagraph *f* of the first paragraph of section 96 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31), which it enacts, by the following:

“**516.** (1) Section 96 of the said Act is amended by adding the following subparagraph after subparagraph *e* of the first paragraph:”;

(2) by adding the following subsection:

“(2) Subsection 1 has effect from 1 July 1992.”

(2) Subsection 1 has effect from 3 November 2004.

ACT GIVING EFFECT TO THE BUDGET SPEECH DELIVERED ON
30 MARCH 2004 TO INTRODUCE FAMILY SUPPORT MEASURES
AND GIVING EFFECT TO CERTAIN OTHER BUDGET STATEMENTS

345. (1) Section 186 of the Act giving effect to the Budget Speech delivered on 30 March 2004 to introduce family support measures and giving effect to certain other budget statements (2005, chapter 1), amended by section 300 of chapter 36 of the statutes of 2006, is again amended by replacing subsection 3 by the following subsection:

“(3) In addition,

(1) where subparagraph 5 of subparagraph i of subparagraph c of the first paragraph of section 776.29 of the Act applies to the taxation year 1997, the reference therein to “except any indemnity received under Chapter V of Title II of the Automobile Insurance Act (chapter A-25)” shall be struck out; and

(2) where section 776.38 of the Act applies to a taxation year in relation to which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007, it shall be read as if “and f” was inserted after “any of subparagraphs a to d”.”

(2) Subsection 1 has effect from 17 March 2005.

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

346. (1) Section 278 of the Budget Act giving effect to the Budget Speech delivered on 21 April 2005 and to certain other budget statements (2005, chapter 38), amended by section 305 of chapter 36 of the statutes of 2006, is again amended, in subsection 2,

(1) by adding “; and” at the end;

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

“(4) when section 1029.8.60 of the Act applies to a taxation year in respect of which the time limits provided for in subsection 2 of section 1010 of the Act had not expired on 21 June 2007, it reads as if “subparagraphs a to d” was replaced by “any of subparagraphs a to d and f”.”

(2) Subsection 1 has effect from 13 December 2005.

347. For the purposes of Divisions II.6.0.1.2 and II.6.0.1.3 of Chapter III.1 of Title III of Book IX of Part I of the Taxation Act (R.S.Q., chapter I-3), a reference, in any Act amending that Act, to a favourable advance ruling given, or a certificate or final certificate issued, after 30 March 2004 is to be read as a reference to a qualification certificate issued after that date.

348. This Act comes into force on 7 November 2007.